2022

State of Sector Report

Farmer Producer Organisations in India

A report on FPOs in India and emerging landscape

Edited by Gouri Krishna

2022

State of Sector Report

Farmer Producer Organisations in India

A report on FPOs in India and emerging landscape

2022

State of Sector Report

Farmer Producer Organisations in India

A report on FPOs in India and emerging landscape

authors UPFRONT | Samunnati

First published in India in 2022 by Authorsupfront Publishing Services Private Limited

ISBN: 978-93-94887-02-2

Cover photograph details:
The cover photo shows members of the BOD of the Damoh Mahila Farmer Producer Company, at their procurement centre at Bandakpur, Damoh, MP in May 2022. This one-year old, all-women FPC worked through the worst phase of the Covid-19 pandemic in 2021, with members producing sanitiser liquid, PPE kits and other supplies for the MP Police and Health Departments. Following relaxation of the Covid-related restrictions, the FPC procured agri commodities of the value of INR 95 lakhs. They now plan to produce value-added food products to diversify their business.

About NAFPO

National Association for Farmer Producer Organizations (NAFPO) is currently providing missing links to the FPO ecosystem and is largely playing the role of identifier, linker and enabler. NAFPO is a civil society initiative for integrating all the efforts for concentrated outcomes. As the nascency of the sector is recognised, NAFPO will continue to meet the needs of the emerging situation in the FPO ecosystem. It is particularly in the light of 10,000 FPOs that NAFPO is trying to situate its work in the current context. The intent is to be reactive and proactive in taking actions and initiating activities to establish strong ground. NAFPO's primary goal is towards sector building, FPO support, and strengthening via policy advocacy, and acting as a facilitator for multiple institutions to participate in the strengthening of FPOs.

Acknowledgements

This second edition of the State of Sector Report on FPOs, 2022 had the support of many individuals and organisations whose contributions NAFPO values immensely. We would like to acknowledge and thank each of them for making this report a reality.

In drafting this report, we consulted a wide range of stakeholders and would like to sincerely acknowledge the contribution of Mr Sriram Singh of NDDB Dairy Services, Ms Madhu Khetan of PRADAN, Mr Yogesh Dwivedi of Madhya Bharat Consortium of FPOs, Mr Kuldeep Solanki of GUJPRO Agribusiness Consortium, Mr Sridhar Eswaran of Samunnati, Mr Himanshu Vaghela of FWWB, Ms Shiny George of IOFPCL, Mr Govindarajan Karikaran of NFPCL, Mr Rakesh Mewara of Ambuja Cement Foundation, Mr Ashutosh Deshpande of Reliance Foundation, Sahyadri Farms, FDRVC, NABKISAN, Caspian Debt, and Arya Dhan for sharing information, data and case studies which formed part of this report.

We would like to thank our Steering Committee members of NAFPO who laid out the objective and purpose of the report and provided much needed guidance. Their support helped us immensely to set the course for the report, which would, we hope, serve as a basis for future reports.

The book is anchored by Dr Gouri Krishna who was former CEO and MD of BASIX Consulting and Technology Services Ltd. and has experience of working with Co-operatives, Self Help Groups, and Farmer Producer Organisations. We acknowledge and are grateful to the chapter authors – Dr Sankar Datta, Mr Emmanuel Murray, Mr Vedprakash Singh, Ms Ranchita Sivaram, Mr Hemendra Mathur, and the NAFPO team members including Mr Anish Kumar and Ms Aneesha Bali, who contributed to the chapters of the book.

We are extremely grateful to Mr Vijay Mahajan for providing the foreword which we consider a great privilege for this sector report on FPOs. We thank Prof. MS Sriram for the overview of the book which sets the tone to the publication.

We would like to thank Prof. Sanjiv Phansalkar for active engagement in providing guidance and support for the chapters. We would like to acknowledge the time and efforts of Mr Raghavan Sampathkumar for reviewing the chapters and providing valuable feedback. We also referred to the reports published by Azim Premji University.

We would like to thank Samunnati Agro Solutions Pvt Ltd for the support for the publication of this report. Samunnati has been continuously helping NAFPO in furthering the cause of FPOs through finance, technology and advisory services to the member FPOs. Throughout the journey, we received complete support from our partners, Rabobank Foundation and would like to humbly thank them for their continuous support in all our endeavours.

We are also thankful to Mr Manish Purohit, our publisher from AuthorsUpFront and Ms Kavita Bhalla from his team, who helped with the editing, designing and production of this report.

This year the report brought about consultation with many stakeholders and leveraged the cumulative expertise of our network of over 100 Associates, providing recommendations and suggestions at various stages that have helped in framing the report within a relevant context. We are very thankful to them for participating and engaging on NAFPO's platform to provide their insights.

We would like to express our gratitude to everyone in the FPO ecosystem and place the State of Sector Report with deep humility with an intent to improve and make the Sector Report useful and meaningful for everyone in the ecosystem in subsequent years.

Foreword

Vijay Mahajan

FPOs is the answer! What is the question?

As happens in many initiatives driven by history and ideology, rather than by the future and analysis, we find ourselves floundering in the fifth generation attempt at building vibrant Farmers' Collectives, without asking the questions necessary to go forward.

This Report is a refreshing attempt to ask those questions. In a brilliant overview by Prof. MS Sriram, he deals with the Vetaal Prashnas – the abiding questions:

1. Why do we need farmers' collectives? (Because we have crores* of farmers, 80% with too little land and capital. Thus, they are at the mercy of input, credit and output market players. Collectivising farmers can improve their bargaining position in all three markets.)
2. Why should the state be supportive? (Because producers' collectives are a countervailing force to capitalist production firms, which in their attempt to maximize profits, concentrate wealth and power in the hands of a few. If indeed we are a

* 1 crore = 10 million

"socialist" republic, seeking Justice, Liberty, Equality and Fraternity, then we need to promote producers' collectives as pillars of an equitable society.)

3. Why one of the vaunted co-operative principles (capital to be pooled from all members, and from members alone) leads to a situation of perpetual capital shortage? (Because capital providers by law, can only be the member-owners and no one but the member-owners, and they in the first place are short of capital.)
4. Why can the distribution of the surplus of the collectives based on patronage rather than capital also be problematic? (Because, sharing profits on the basis of patronage – usage by members – rather than in proportion to capital provided by member-owners leads to a governance structure which is at best oligarchic-technocratic, rather than participatory.)

   Prof. Sriram does not ask, though he refers in passing to, another abiding question, which to me is the most important. So I ask it and attempt an answer below:
5. What can be done to ensure that the primary producers participate in the surplus generated in the entire value chain, rather than be treated as they are today, surrogate mothers, who have no rights over the fortunes of their progeny?

(The upma I am eating in flight as I write this piece is priced Rs 200 for 88 grams, or Rs 2,273 per kg. All the ingredients in this upma are agricultural. The main ingredient – wheat – was sold by farmers for less than Rs 20 per kg and perhaps no ingredient was sold for more than Rs 100 per kg. As a result, farmers did not get even 2 percent of the total value added of this upma, or maybe 5 percent if we include the cost of packaging which is from a non-agricultural source.)

What can be done to make farmers get more of this value added? The stock answer is some FPOs or FPO Federations should get into upma production. We know that the capital and capabilities required for doing so are not there in 99 percent of the 10,500 odd FPOs listed in the NAFPO database. Prof. Sriram explains why, sadly, most FPOs may never acquire the requisite capital or capability.

The answer to this problem is not more or bigger or even better FPOs but a new institutional form I call a Producer-Value Adder-Consumer (PROVAC) Union. In a PROVAC Union, all participants, including workers (hence, Union) across the value chain, from fertiliser to farm to flour mill to fridge to fork, will be members, eligible to provide capital. (I, as an upma consumer, would like to invest in an Upma PROVAC Union). This will mitigate the chronic capital shortage of FPOs.

Further, the profits (whether distributed as dividends or retained for enterprise growth needs) of a PROVAC Union will be shared on the basis of capital contributed, thereby bringing them in line with capitalist enterprises. So why would these PROVAC Unions then not do all the bad things we criticise profit maximising firms for? Because capital contribution will be subject to an upper limit of one percent of total capital for any single shareholder, to prevent concentration of power.

Thus, capital providers seeking purely financial returns will either not be eligible to invest in PROVACs or even if they sneak in pretending to be value chain participants, they can at best own one percent of it. So their ability to control the objectives will be severely limited.

But enough of new kite-flying when the kites we tried to fly in the last 20 years are barely getting off the ground. This report describes well what holds the FPO kites down and where are the thermals, the upward convection currents, which will make the FPOs fly high.

Knowing that many readers will just browse the report, I urge them to at least read the first and the fifth chapters. I have already described the wide sweep of issues Prof. Sriram has handled so deftly in the first chapter. The fifth and the last chapter is about technology interventions in the agricultural sector. And the good thing is that it describes in detail, numerous efforts which cut across the entire agricultural value chain, from inputs to production to procurement to processing to marketing and consumer assurance. Thus, agri-tech is already ready to support PROVAC Unions!

The second chapter gives a comprehensive status update on FPOs and the third one lays out a typology based on which institutional parent an FPO had. There is also a good chapter on the supporting ecosystem, covering policy, capacity building, support institutions, and also a section on capital – the situation related to promotional grants, equity as well as loans to FPOs. This section should have been expanded to a full chapter, and I hope that is done next year.

All in all, the report is a very good contribution to building awareness about FPOs and creating the knowledge base to deal with the numerous challenges. Kudos to the NAFPO team led by Mr Pravesh Sharma for initiating this, Dr Gouri Krishna for coordinating the work on the report, and Prof. Sriram for providing the ideational leadership.

I hope the report along with this foreword is PROVACative! It's time we built a coalition across the full value chain, rather than aggregating one set of players – the farmers – into FPOs for input or credit supply or primary produce marketing.

Vijay Mahajan
CEO, Rajiv Gandhi Foundation and
Director, Rajiv Gandhi Institute for Contemporary Studies, New Delhi
Founder, BASIX Social Enterprise Group (1996) and PRADAN (1982)

Chairman's Note

Pravesh Sharma

The onward journey and upward trajectory of Farmer Producer Organisations (FPOs) continues at a steady pace. Despite the overhang of several legacy issues, most notably inadequate access to equity and working capital, availability of skilled managers, limited technology support and a largely restrictive regulatory ecosystem, FPOs have grown both in sheer numbers and impact. The SFAC-led 10,000 FPO project gathered momentum during the past twelve months and has seen new FPOs emerge in almost all states. Despite several constraints experienced by promoting agencies (CBBOs) due to the severe second wave of Covid, funds and manpower challenges, the civil society sector overall has once again demonstrated its deep and wide presence across the country, as well as its ability to mobilise large numbers of rural primary producers into collectives. Decades of investment in building the capacity of organisations and people in grassroots mobilisation (starting with community development, co-operatives, self-help groups and the first phase of FPOs) is yielding rich dividends.

A recent report released by Azim Premji University has estimated the number of FPOs in the country at over 15,000. This number probably includes other forms of collectives besides producer companies too. However, the size of the sector augurs well for its attractiveness to both policy makers and market players. There is now a strong economic case to engage with FPOs, given the growing market that they represent for a wide range of services and products, as well as the huge potential to integrate them into agri value chains as suppliers. Dozens of scale examples are emerging from across the country, signalling the intent of a growing number of market entities to work with FPOs.

This annual report, now in its second edition, is an attempt to log the exciting journey of FPOs and illuminate the landscape for both existing and future stakeholders. At its core, the report is a timekeeper, tracking the progress of the FPO sector towards its three fundamental objectives: increased access to capital, technology and markets. The various sections will seek to provide a brief report of the movement towards these goals. But beyond these macro goals, we also seek to showcase case studies of successes and failures; whether women seek agency through farmer collectives; how corporates struggle or succeed with FPOs; are digital technologies working for this sector, etc. We hope to expand this part of our work in the coming year through a wider collation of case studies.

For this year's report, we thank the continuing support of Samunnati Foundation, Rabobank Foundation, and the entire Steering Committee members like Mr Hemendra Mathur who also significantly contributed to the book, Prof. Phansalkar and FPO leaders Mr Kuldeep Solanki and Mr Yogesh Dwivedi.

We look forward to your feedback on how future editions of this annual document can be made more relevant and interesting.

Pravesh Sharma
Chairman, Steering Committee
NAFPO

Contents

Chapter 1

Journey of FPOs: Understanding Typology and Evolution – An Overview

M S Sriram[1]

When farmers, particularly smallholders, come together to form a collective, its negotiating power is far greater than the sum of the leverage of the individual farmers. The concept of Farmer Producer Organisations (FPOs) is featuring prominently at the core of policymaking by the government in the recent decade. It aims to address one of the most crucial shortfalls of the erstwhile co-operative model by bringing in the 'business perspective', thereby providing a wide range of tangible benefits to its member farmers in return for their contribution and patronage. When managed professionally, farmer collectives can become truly game changers and transform the livelihoods of farmers, mainly smallholders, and can break the vicious cycle of poverty, leading to their economic progress. While it may sound highly promising, building a producers' collective is a long and arduous journey. Managing them is equally challenging. Every time we think of a community-owned enterprise, the image that comes to my mind is building a house of cards – difficult to construct, but the collapse is very easy. If globally the economic exchanges are happening predominantly through capital-centric enterprises, there must be a reason why that design is working and why the design of collectives faces many challenges. At the same time, we celebrate the occasional success and

1 Faculty member, Centre for Public Policy, Indian Institute of Management Bangalore. Email: mssriram@pm.me

struggle to replicate those. The collectives do not grow in large numbers not only because of the complexity in their design but also because the external ecosystem does not appreciate and recognise the uniqueness of a collective. The reason for the collective not to grow fast, not to succeed, to stagnate and often fail is seen in negotiating the ecosystem. While the model of a collective is a charming model, in constructing the model we need to remember the limitations and build insular systems right from the inception.

While it is possible to generically talk about community-owned organisations—co-operatives, Self-Help Groups (SHGs), Farmer Producer Companies (FPC)/Organisations (FPO)—there is a bit of nuance in terms of how these different institutions are managed and governed. We will attempt to look at the generic issues first and also examine the issues that may arise with specific forms of incorporation. This will possibly help us to discover the design principles that will help us to build better and lasting FPOs.

1.1 The Principles of Collectives: Dichotomy between Owning the Organisation and Owning the Idea

The first distinctive feature of collectives is the focus on patronage and ownership. The collectives require that the ownership and control of the collectives be vested in the hands of "patrons" or members who are vested with the core mission and activity of the organisation. For instance, if the activity of an organisation is to try and get the best price for agricultural produce, it is expected that the collective be owned and controlled by people who pool the specific produce in order to get a better price. In doing so, the design is putting the primacy of the activity ahead of the capital required to manage the activity. The complexity of managing this organisation stems from this fundamental difference when compared to any other capital-centric organisation. While the design of a farmers' collective does not negate the requirement of capital, it pushes the primacy of the agricultural produce (and thus, the rewards/profits) ahead of capital and treats capital as an input that gets rewarded on a pre-contracted basis like debt capital.

The conundrum of the need for capital, but at the same time according to primacy to turnover/patronage, is the single largest constraint when the collectives deal with the ecosystem. The ecosystem for capital understands leverage: That debt capital can be invested only when there is adequate risk capital in the form of basic equity or "skin-in-the-game". The equity, in the case of collectives, however, is not adequately incentivised because the design does not allow for rewarding the equity with all the profits. The profits earned by collectives are primarily distributed in proportion to the produce supplied as a "bonus" rather than as "dividends" on capital and thus, do not contribute to capital appreciation. The design of mutuals prevents non-members from investing in equity, in any case, because the compensation for equity is secondary to the compensation for the producer. Even if there was a theoretical possibility of outside risk capital coming in, the practical reality (of returns) would prevent it.

Therefore, it is not surprising that there needs to be an initiative from the state in order to have a vibrant set of collectives. The idea has to be "owned" by one or some of the promoters who would pump-prime the entire operation. Unlike the ecosystem for private sector start-ups where there are incubators, early-stage investors, and later investors with different risk appetites, and eventually, a public offering, the ecosystem for collectives has to be designed around the impacts of the activity rather than the returns for the promoter. Therefore, the responsibility of promoting the "idea" of a collective squarely falls on the state or state-like institutions. The thought of ascribing the primary responsibility of promoting the collectives to the state is nothing new. If we recollect, the first big effort in promoting credit co-operatives following the report of the All India Rural Credit Survey Report (RBI, 1955) was called "State Partnership with Co-operatives" which envisaged equity investment from the state in order to pump-prime the co-operatives. Chapter 2 of this report deals in detail with the various efforts in finding innovative ways of ensuring that investments flow into this sector, both directly and in building the ecosystem to get the collectives going.

Two aspects that need attention to develop the ecosystem better, which is lacking even in the legacy ecosystem for collectives.

1. We do not have a unified or standardised mechanism to define, register, collect and disseminate data on the collectives. The collectives are in the form of legacy co-operatives registered under the respective State Co-operative Acts; in the form of new generation co-operatives registered under the Mutually Aided Co-operative Acts; under Multi-State Co-operative Act; and under Societies' Registration Act or as Trusts. The basic distinguishing factor being that they all operate on the principle of mutuality. In addition, a large number are registered as Farmer Producer Companies (FPCs) under the Companies Act. We see that Chapter 2 makes the point of interchangeable use of FPOs and FPCs. Irrespective of the form of incorporation, if the principles are producer centric, their data needs to be captured in a central repository that helps in assessing performance and meaningful policy making.

   The definition of collectives needs to be not on the basis of their incorporation, but by their functionality. The study by Azim Premji University (Govil, Neti, & Rao, 2020) to estimate the number of FPCs was necessitated by the lack of a common database even for the Producer Companies under the Companies Act. A similar situation existed in the inclusive finance sector where the activity of microfinance was being carried out by organisations incorporated under diverse laws. However, the database created by Microfinance Institutions Network (MFIN), Sa-Dhan or the Microfinance Information Exchange (MIX) provided significant data about the players in the market. A similar arrangement is necessary for the ecosystem to flourish.

2. There is a need for focusing on the design of the capital structure of the collectives – particularly in its growth phase. In general, the seed capital is usually available from the promoter group. However, most of these organisations need a continuous infusion of member financial resources as they tend to suffer from capital starvation. This is an area that all the promoting and nurturing

institutions need to pay attention to – to ensure that the issue of capital is addressed on a continuous basis. The design has to pay attention to issues beyond the seed capital, grants, equity investment funds, and agricultural infrastructure funds.

1.2 The Promoters: Actors beyond the State

The concept of collectivisation rejects the primacy of capital and moves into the realm of aggregation that gives the members power of negotiation. The larger the number of members and the larger the quantity pooled, the better the ability to negotiate and the stronger the collective will be. This would mean that an effective collective will have to have an inherent ability to get the people to get together. This power of convening people is unlikely to be with the potential members themselves. If there is a need to set up a collective, then that need usually would emanate from the inability to have negotiated a better deal with the capital-centric system that is managing the supply chain. Now, we are expecting a set of people who are unable to negotiate and articulate a better deal, to establish their own parallel enterprise that they themselves will manage. This looks internally contradictory. It is, therefore, natural that the initiative comes from outside of the interested parties.

The state is naturally interested in this space because collectivisation represents not only an effective intervention in getting the value chain going but also the format in which this activity is undertaken is much more equitable, having moved from the centrality of capital to that of patronage. However, it is difficult for the state to establish a chain of collectives unless they fall into a template. A typical formation of a collective will have to be nurtured over a period of time to get the systems and procedures going. In the context of organising mutuals in the field of inclusive finance – particularly with SHGs, it is identified that the process of stability comes after the four-stage process of forming-storming-norming and performing (Kanitkar, 2002). Therefore, the success of the state in promoting collectives has been patchy. One area where the promotion of collectives has been extremely successful is in dairying, which was promoted by the National Dairy Development Board. A large part of the success of this movement can be ascribed to the standardised and replicable approach of the Anand Pattern Co-operatives (APC). This approach is called the blueprint approach, as against a greenhouse approach which needs flexibility and nurturing (Hyden, 1988). With farm-based collectives, the success has not been as unequivocal as in the case of milk. The marketing co-operatives and the marketing federations have not had a great impact and the forays into oilseeds by the promoters of the APCs have also not been very successful. It is, therefore, quite natural that the promoters of collectives come from different backgrounds, but generally from the development sector. Since external agencies promote the collectives, many issues pertain to the methodology of promotion, the area of operation and the level of investments to be made emerge. These bring in issues of capability building and other softer aspects of equity investments, working capital, and investments that create hard infrastructure. Given the diversity of the activities in which the collectives operate, it is not surprising that multiple agencies with multiple models and orientations are involved in the promotion.

Chapter 3 identifies six different types of promoters: government; organisations with sectoral specialisation; non-governmental organisations (NGO)/social enterprises; corporations; philanthropic foundations; and those by farmers themselves. Even within government, we find that there are specialised agencies charged with promotion which are expected to understand the nuance much better than promoting collectives through a departmental architecture. This chapter is rich in describing the alternative approaches of promoting (commodity, area, cluster, embedded in larger programmes, etc.) and how they have been financed. This chapter is indicative of the extent of external and ecosystem support that is needed for collectives to be established, nurtured and stabilised.

1.3 Owners and Managers: The Governance Conundrum

The third distinctive feature of collectives is how the governance structure is designed. In general, all the collectives operate on the basic principle of democratic control. While there may be some design innovations in specific contexts, this is largely the default option. Moreover, no member of a collective is a passive member – most organisations would require people in the governance function to have had a minimal level of transactions or patronage. Unlike capital-centric organisations, where the objective of the investor is to earn returns and the investor could also be a manager in the organisation, in collectives, the basic production activity happens outside of the institution. Therefore, it is unlikely that we would find a situation of an owner-manager where the member has a significant skin-in-the-game and therefore takes an active interest in the activities of the collective. If the member's underlying activity occupies a significant part of her day-to-day activities, there is little that she would be able to devote to the governance of the collective.

Historically, we have seen that successful collectives have been managed by visionary leaders, but those leaders need not represent the best of the practices of the underlying activity. Most of the leaders in the co-operative field represent the ideological commitment towards the concept of mutuality than the personification of the underlying economic activity. Therefore, we find those successful collectives venturing into other areas where the concept of collectives could apply rather than getting deeper into the backward integration of the production process. The intellectual leadership provided to India's most successful co-operative – Amul – provided by Tribhuvandas Patel and V Kurien was more about co-operatives than about dairy farming. We see that this aspect is repeated time and again in multiple activities, whether we take the sugar co-operatives of Maharashtra branching out into dairying or consumer stores, or the arecanut co-operatives of Uttara Kannada District branching into welfare activities like hospitals.

The other aspect is about the nature of engagement with the organisation and its impact on the sense of ownership. Unlike capital-centric organisations, where there is some element of equity capital invested which can provide the glue to monitor and worry about the fate of the enterprise, in the case of collectives, the engagement with the enterprise is by definition transactional. The enterprise is structured to benefit people who transact more through a better price or bonus. Loyalty and stickiness to an organisation can develop only when these transactions are regular and repeated (as in dairy co-operatives). There is a good scope for members to exhibit strategic behaviour where they may continue membership but do an occasional transaction outside of the collective because it turns out to be lucrative. In such a situation, the collective will have to devise incentive systems that reward the stickiness of transactions. Given the nature of engagement, apart from time, there also has to be an inclination to get into the governance of the organisation. Invariably, we find that in very good collectives it is the manager who devises the rules of engagements that keep the members loyal. It is a peculiar conundrum where the employee of a set-up finds that it is in her long-term employment interests to safeguard the interest of the members rather than the member-owners. The engagement of the employee is much more relationship-based and sticky than the members' transactional relationship.

A good example of externally induced discipline for enhancement of member incomes can be found in the operations of the women's poultry co-operatives promoted by The National Smallholder Poultry Development Trust (NSPDT) which has designed the co-operatives to give an assured price on the broilers supplied by the members, insulating them from the day-to-day fluctuations of the market. The implementation of this transactional discipline needs a greater engagement of the employees and the vision to design this scheme is beyond the imperatives of the transactional design of the collectives. That is the reason why the collectives are complex institutions that need significant ecosystem support.

1.4 The Need for Ecosystem Support

There is a quote attributed to Sarojini Naidu implying that it cost the nation a lot to keep Gandhi poor and austere. That concept could be equally applicable to the collectives because of the complexity. Chapter 4 illustrates what it takes as an ecosystem to make the collectives work. Not only do they need support in raising capital, but also bridges need to be built for the collectives to access markets as well as get good personnel and training. It is not that the capital centric organisations do not have these ecosystem requirements. However, the ecosystem for the capital centric organisations naturally evolves due to the financial incentive systems around them. In the case of collectives, since the financial incentives are pushed to the margins and the cause is pushed to the centre, the scaffolding required is much more.

Is there a justification for investing in the ecosystem and putting the collectives at the centre of the economic activity? The answer is in the affirmative. The reason why this is important is because the capital-centric organisations while looking elegant in design are very distortionary in nature. By focusing on a single performance parameter – of generating as much return on capital as possible, it tends to distort the other factors that contribute to an enterprise. The negotiations with the suppliers, employees and the marketplace are all designed in such a way that the suppliers of capital are rewarded disproportionately than the other participants in the value chain. A collective removes the primacy of rewarding the capital and, therefore, spreads the resources more evenly. While this is complex, it is a measure that reduces the disparity in society and ensures that the wealth is more evenly distributed without the state getting into the act of collecting taxes and redistributing welfare. This system rewards the factors more justly and evenly and prevents the need for redistribution. That is the reason why the state and state-like actors should be heavily invested in this sector.

With better computing power and a more precise system of measurement, it is possible to identify the pro-rata share of individual members even in the common profits. It is possible to retain profits and build reserves not as common reserves of the organisation, but as member-identifiable reserves that can be given away at the time of withdrawal of membership. This will reward the return on the capital invested by the members in a fair manner, even while being patronage centric. It is also possible to devise systems that rewards loyalty and seeks premium from the newer members, who benefit from the brands and the market shares built by the legacy members. If we were to build a robust and self-regenerating ecosystem for the co-operatives, we now need to re-imagine the space and change the architecture of how we look at collectives and the rewards being given by the collectives. This would need some tinkering with the principles and a significant change in the profit distribution framework. This would then open up the scope for secondary market exchanges for factors other than just the financial exchanges. A discussion on re-imagining the concept of “profits” or “returns” and how they could be distributed in a manner that makes the organisation financially sustainable is essential.

1.5 Generics of Collectives to FPOs: The Potential

Till now we have discussed the issues pertaining to the general principles of collectives. If we were to move towards FPOs then we are looking at a space which is narrower than those of collectives. We are looking at the sector which is related to farm and related activities. We may also look at the issue of FPCs where the organisations are registered as special companies under the Companies Act. Both these add to the operational complexity.

On the issue of farm-based collectives, there are two significant issues that make the matters complex. We have to remember that we have moved from capital-centric organisations to patronage and transaction-centric organisations. One of the most important tasks that the dairy co-operatives do is to regularly reinforce the superiority of the collective by ensuring transparency, efficiency (immediate daily payments) and fairness in pricing and acceptance of the produce – twice a day. It is not only transaction-based but also transaction-intensive. In this set-up, if a member diverts her products outside of the collective for a day or two, there is enough scope to revert to the member and win her back or correct the distortion without significant effect. If we were to move this to a product that does not have transaction frequency, say a crop like rice or wheat, we would then realise that the transaction happens only during harvest time and for a specific crop. The member herself might not stick to a single crop and the co-operative may not be in a position to accept the member’s produce unless it has the linkages in the value chain. Thus, an institution that has structural complexities is also handicapped by the product features and the underlying use of resources like land.

The second challenge is setting up quality standards for aggregation. In the case of milk, the product is homogenous and quality parameters are scientifically and objectively established by measures such as fat content and solids-non-fat. In the case of other agricultural commodities, where the parameters are based on personal assessments (like tea tasting) or on the look, feel, and smell, the parameters need to become more granular and it is essential to come to a common understanding and trust over and above the scientific parameters. Therefore, it is a challenge to set prior standards and price points.

There is an additional challenge to FPOs incorporated as FPCs. As these organisations are incorporated under the Companies Act, they have to do all the regulatory compliances as applicable to companies – which includes having a Directors Identification Number (DIN) for the board members; filing returns according to the secretarial standards, needing the inputs of a qualified company secretary, and other compliances that pertains to disclosure of interests, related party transactions, etc. We have to remember that the base Act is written keeping a capital-centric activity in mind and the Producer Company is a chapter and in cases where there is no specific provision of exemption, the basic clauses of the Act apply. This aspect turns out to be complicated for the segment of the members who are coming together as a collective.

Chapter 4 talks about the type of resource institutions that could equip the entities to cope with this ecosystem. However, if we agree that co-operatives are complex institutions to run due to the design principles, the companies are adding a layer more of compliance to the existing complexity. Therefore, we need not be surprised if the number of FPCs is not expanding fast enough to meet their potential.

Chapter 5 brings in a completely new dimension that we have not discussed – that of agricultural technology and innovations. The chapter opens up the potential of how the technology could make a big difference in this field and the type of possibilities that one could examine. Whether the FPOs can adopt the technological inputs and still retain their accountability framework to the people it represents is moot. It is most likely that these complex aspects would be introduced in an upper-tier – a federation of collectives. That will take the accountability framework one step away from the member (because of indirect elections in a tiered structure) and push it towards a technocratic and bureaucratic management. We have found in organisations that are technocratically driven, the quality and commitment of the management becomes of greater importance. Even if there is a fairly strong governance structure, it is likely that the management is more technically equipped to win an argument. We need to look at some examples where there has been a technocratic takeover with little accountability to the producer members. The conundrum between the members who are unable to negotiate the open markets for a remunerative return for their produce managing a complex co-operative operation is to be squared and it is not a simple feat to pull off.

1.6 In Conclusion

In the several decades of intervention in the agricultural value chains, we find that the presence of farmer collectives is somewhat limited in comparison with other players as well as the perceived potential. A large part of the literature on collectives (particularly co-operatives) attributes it to factors like leadership; political capture; state capture and hurdles in the legal ecosystem. Each of these factors manifests itself because of the complexity of the design. We have to recognise that collectives are difficult organisations to design and standardise. It is possible to pull this off when the underlying product has the potential to standardise (milk); if the co-operative operates in a limited area (sugar co-operatives; arecanut co-operatives; some primary agricultural co-operatives, including multipurpose co-operatives) or if the co-operative has a very strong set of operating rules and procedures driven by the employees in the interest of the members (poultry co-operatives promoted by PRADAN in Jharkhand and Madhya Pradesh) or if the co-operative is operating in an area where the capital and transactions are both representing fungibility (SHGs, financial co-operatives). Federated structures add a layer of complexity and need much more support from the ecosystem.

In order to ensure a vibrant set of FPOs, we need a helpful and supportive ecosystem of state and civil society. This support is not only essential in the larger area of capacity building, training, and technical expertise but, more importantly, in the ecosystem to provide timely and adequate capital. The larger universe of banking and the rules may not suit the nuanced requirements of a co-operation-based organisation. Therefore, special attention needs to be paid to the aspect of funding arrangements of the collectives. The establishment of a social stock exchange by the state may open up the possibility of experimenting with alternative funding opportunities for the FPOs.

The chapters in the book not only capture the wide array of issues facing the producer organisations but also provide practical and actionable solutions for the possibilities of the ecosystem players. We must keep this conversation going and this experimentation on collectives is going to foster a more equitable set of entities that share the wealth created more evenly without the intervention of the state in the nature of taxation and redistribution. This possibility of having a principle of equity built into the organisational design should not be given up. It should be encouraged.

Chapter 2

Farmer Producer Organisations

Anish Kumar
Aneesha Bali

Disclaimer: *The words FPOs and FPCs are used interchangeably in the following text. Wherever it is mentioned separately as FPCs, it refers to the Farmer Producer Companies registered under the Producer Companies Act, 2012.*

Summary

The concept of Farmer Producer Organisations (FPOs) was mooted to encourage farmers to come together (aggregation or collectivisation), to gain significant bargaining power, which would be difficult for an individual farmer in the Agri value chain. The concept, which aims to enhance farmers' incomes and overall rural economic growth through a market-oriented approach, has gained great momentum over the past few years. The year 2020 became a landmark year when the government announced the promotion of 10,000 FPOs in the next five years. Earlier interventions by SFAC and NABARD since 2013–14 and the programmes by various state governments and other donor-funded projects have already created a pool of FPOs which are at various stages of their evolutionary growth. This chapter presents the status of FPOs promoted in the country. It highlights the salient features of the Central Sector Scheme (CSS) of 10,000 FPOs and the process adopted for the implementation of the scheme through promoting agencies. It highlights the enabling policies that are in place to support the FPO promotion.

Since the rollout of the scheme, the Cluster-Based Business Organizations (CBBOs) who were given the role of promoting agencies have encountered numerous challenges which the chapter brings to light. The allocation of geographies for the promotion of FPOs which sometimes is scattered and not contiguous and in unfamiliar territories posed challenges to CBBOs. The bureaucratic delays in funds release is another challenge that hampered the activities of the CBBO, most of them not being cash-rich organisations. The fast pace at which the implementation had to happen to achieve the targets had imposed pressure on the quality of institutions being formed that in the long run may reflect on the growth.

On the policy front, the Agri Infrastructure Fund for creating farm gate infrastructure is a much-needed initiative. The FPOs stand to benefit from the development of aggregation points in the vicinity and the accessibility of post-harvest infrastructure within reach. The continuation and matching equity grant and the credit guarantee schemes provide support for the growth of the FPOs to establish business enterprises.

Several promoting organisations understood the benefit that can be accrued to the FPOs from apex level entities and have promoted State Level Producer Companies (SLPCs). A few of them that came into existence with support from SFAC earlier have been actively engaged in helping the FPO members by offering centralised services for the marketing of produce, financial linkages, and members' education.

2.1 Status of FPOs in India

Ever since the success of co-operatives was limited to a few commodities and geographies, the discussion on the need for an alternate institutional model that can empower the small farmers and give them collective bargaining power for income enhancement became imperative. Political and bureaucratic interference that hindered the farmer co-operatives was considered an important aspect that had to be addressed in this new model. A conducive and liberal legal and policy environment to support and nurture the growth of farmer collectives has become the need of the hour which could also bridge the gap between farmers and consumers. A Committee set up by the Government of India led by Mr YK Alagh has recommended Farmer Producer Companies (FPCs) as an alternative to co-operatives. FPCs are defined as a hybrid between co-operative societies and private limited companies and as the best institutional choice for safeguarding farmers' interests and benefiting the consumers. The Companies Act, therefore, was suitably amended to facilitate the registration of the FPCs.

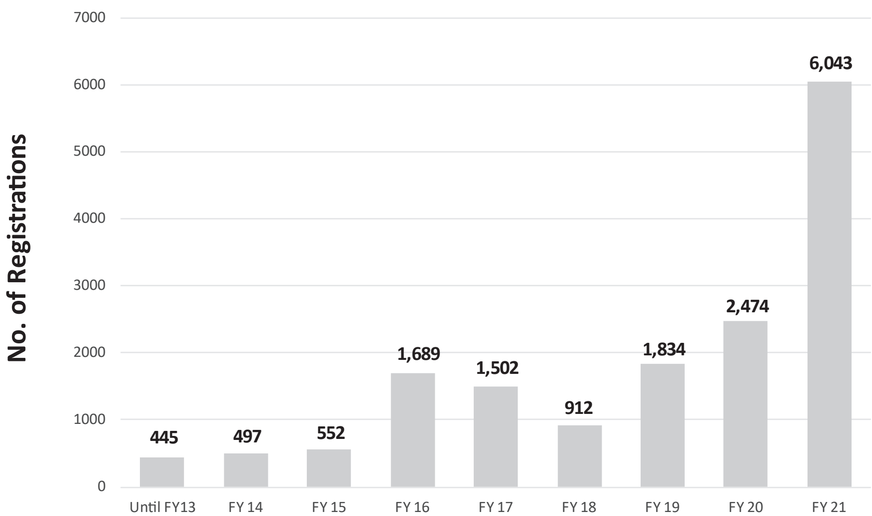
Farmer Producer Organisations (FPOs) have been widely recognised as the most preferred arrangement to leverage the power of collectivisation to ultimately enhance the farmer's income. It supports the member farmers and helps to build their capacity to collectively leverage their pre-production and post-production strength to sustainably improve production and productivity at the least cost and increase income. The objective is efficient farmer collectivisation, which confers greater bargaining power, better market and price discovery, access to credit and insurance, and sharing of assets and costs. It encourages private sector interest and builds the ability of farmers to invest in storage, crop protection, and value addition infrastructure. It also enables better access to market linkages and information through partnerships enabling farmers to reduce demand/supply imbalances and post-harvest losses. Together FPOs have been able to increase the resilience of farming communities towards climate stress, improve farm income, enable collective bargaining, and deal with fluctuations and market risks.

As far as the promotion of FPOs is concerned, there are various organisations and agencies such as SFAC, NABARD, State Government Agricultural/Horticultural Departments (some supported with World Bank assistance) and NGOs/CSOs, promoting FPOs in rural areas with financial support from Government of India. NABARD, SFAC, Government Departments, Corporates, and Domestic and International Aid Agencies provide financial and/or technical support to the Producer Organisation Promoting Institution (POPI) and Resource Institutions (RIs) for promotion and handholding of the FPOs till 2018–19.

In February 2020, Govt of India announced the scheme to promote 10,000 new FPOs across the country. Previously, RIs largely provided support for farmer mobilisation, registration, and equity collection. FPOs are also concomitantly unable to acquire and imbibe the requisite skill sets to evolve and implement a viable and bankable business plan. Therefore, the new scheme unified promoting organisations as Cluster-Based Business Organisations (CBBOs). The CBBO is expected to serve as the fulcrum of implementation, which will house experts in every felt need vertical and provide incubation support services to FPOs that they help mobilise.

Over the past decade, there has been significant growth in the number of FPOs across the country. As per the latest data compiled and presented in "Farmer Producer Companies, Report II: Inclusion, Capitalisation and incubation 2022" by Azim Premji University, there are over 15,984 registered FPOs across the country (Figure 2.1).

Figure 2.1: Timeline – Evolution of the Concept of FPOs



Incubation of another 10,000 FPOs under the Central Sector Scheme – Formation and Promotion of 10,000 FPOs will add to this number. The geographical spread of the FPOs is not uniform. Four states account for roughly half the FPOs registered in the country, with Maharashtra accounting for 27%, Uttar Pradesh at 10%, Tamil Nadu at 7%, and Madhya Pradesh at 6%.

According to the database consolidated by NAFPO, information of 10,571 Producer Companies promoted in the country till FY 2022 is available[2]. The country's premier agencies for promoting FPOs – SFAC and NABARD – have compiled data on FPCs promoted under their respective schemes. Table 2.1 below gives the state-wise data available with SFAC.[3]

Table 2.1: Detail of Producer Companies for the Year 2020, State-Wise

Number of Producer Companies	
Andhra Pradesh	147
Arunachal Pradesh	15
Assam	87
Bihar	221
Chandigarh	1
Chhattisgarh	32
Delhi	7
Gujarat	108
Haryana	257
Himachal Pradesh	7
Jammu & Kashmir	10
Jharkhand	70
Karnataka	195
Kerala	53
Madhya Pradesh	237
Maharashtra	1950
Manipur	26
Meghalaya	1
Mizoram	4
Nagaland	6
Orissa	177

2 https://www.nafpo.in/fpo-login/

3 https://pib.gov.in/PressReleasePage.aspx?PRID=1739593

Number of Producer Companies	
Puducherry	1
Punjab	13
Rajasthan	114
Tamil Nadu	241
Telangana	119
Tripura	8
Uttar Pradesh	654
Uttarakhand	14
West Bengal	184
Total	4959

2.2 Central Sector Scheme – Formation and Promotion of 10,000 FPOs Scheme

The agriculture sector plays a very important role in both economic development and nation building. India is globally at the forefront of the development of agriculture. The goal is to achieve a doubling of farmers' income by 2022[4]. However, more than 86% of farmers in the country are small and marginal. There is a need to facilitate farmers with access to improved technology, credit, better input, and more markets to incentivise them to produce a better-quality commodity. For this, the aggregation of small, marginal and landless farmers into FPOs will help enhance the economic strength and market linkages of farmers for enhancing their income. Keeping this in mind, the Government of India has launched a new Central Sector Scheme (CSS) titled "Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs)" with a clear strategy and committed resources to form and promote 10,000 new FPOs in the country with a budgetary provision of Rs 68,660 million. An amount of Rs 44,960 million is allocated for the first five years from 2019–20 and the balance for the subsequent four years.

4 https://agricoop.nic.in/sites/default/files/NITI%20Aayog%20Policy%20Paper.pdf

Table 2.2: Budgetary Allocation for Promotion of 10,000 FPOs

S.No	Components		Budget for 1 to 5 Years (2019–20 to 2023–24) (Rs in Million)					Total Amount (Rs in Million)	Budget for Next 4 Years (2024–25 to 2027–28) (Rs in Million)	Grand Total (Rs in Million)
		Unit Cost	1st Year	2nd Year	3rd Year	4th Year	5th Year			
	No of FPOs	Number	250	1,000	2,500	4,500	1,750	10,000	NA	
1	FPO Formation and Incubation Cost (10,000 FPOs) including CBBOs Engaging Cost	Rs 2.5 million/ FPO for 5 years	125	625	1,875	4,125	5,000	11,750	13,250	25,000
2	FPO Management Cost	Rs 1.8 million/ FPO for 3 years	150	750	2,250	4,800	5,250	13,200	4,800	18,000
3	Equity Grant (10,000 FPOs)	Rs 1.5 million	0	380	1,500	3,750	6,750	12,380	2,620	15,000

S.No	Components		Budget for 1 to 5 Years (2019–20 to 2023–24) (Rs in Million)					Total Amount (Rs in Million)	Budget for Next 4 Years (2024–25 to 2027–28) (Rs in Million)	Grand Total (Rs in Million)
		Unit Cost	1st Year	2nd Year	3rd Year	4th Year	5th Year			
	No of FPOs	**Number**	**250**	**1,000**	**2,500**	**4,500**	**1,750**	**10,000**	**NA**	
4	Credit Guarantee Fund	LS	0	0	1,500	1,500	2,500	5,500	2,000	7,500
5	Monitoring and Data Management/MIS Portal including Cost of NPMA	LS	50	80	100	100	80	410	90	500
6	Capacity Building through Specialised Training Institutes	LS	30	30	30	30	30	120	120	240
	SUB TOTAL		**355**	**1,865**	**7,255**	**14,305**	**19,610**	**43,360**	**22,890**	**66,250**

S.No	Components		Budget for 1 to 5 Years (2019–20 to 2023–24) (Rs in Million)					Total Amount (Rs in Million)	Budget for Next 4 Years (2024–25 to 2027–28) (Rs in Million)	Grand Total (Rs in Million)
		Unit Cost	1st Year	2nd Year	3rd Year	4th Year	5th Year			
	No of FPOs	Number	250	1,000	2,500	4,500	1,750	10,000	NA	
7	Supervision Charges, Other Administrative Expenses, Cost Of NCDC & SFAC (@ 5%)		10	60	240	480	660	1,450	770	2,220
8	Education and 3 Party Evaluation by DAC & FW		0	10	20	50	70	150	40	190
	GRAND TOTAL		365	1,935	7,515	14,840	20,340	44,960	23,700	68,660

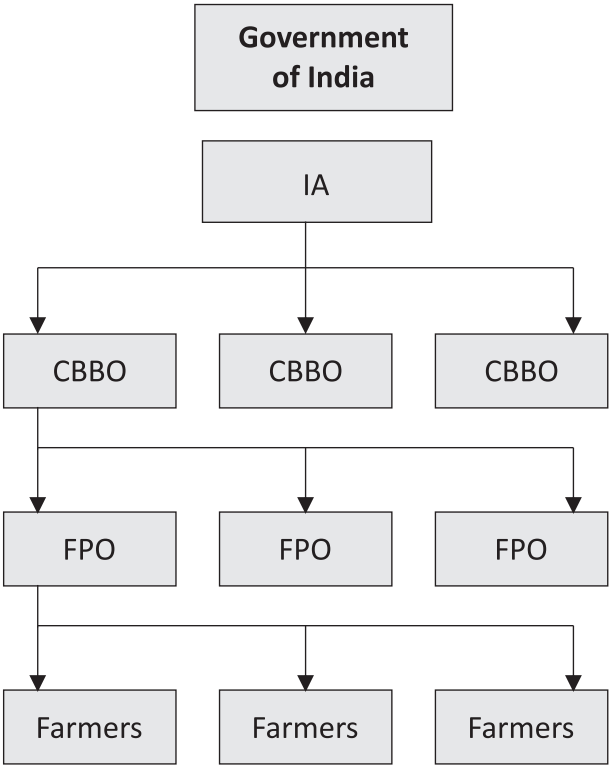
The scheme envisages FPOs to be developed in produce clusters, wherein agricultural and horticultural produces are grown/cultivated for leveraging economies of scale and improving market access for members. "One District One Product" cluster approach to promote specialisation and better processing, marketing, branding, and export was planned under the scheme. Further, agriculture value chain organisations forming FPOs would facilitate approximately 60% of market linkages for members' produce.

Under this Central Sector Scheme with funding from the Government of India, the formation and promotion of FPOs is to be done through the Implementing Agencies (IAs). Presently, nine Implementing Agencies (IAs) have been finalised for the formation and promotion of FPOs, viz. Small Farmers Agri-Business Consortium (SFAC), National Co-operative Development Corporation (NCDC), National Bank for Agriculture and Rural Development (NABARD), National Agricultural Co-operative Marketing Federation of India (NAFED), North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC), Tamil Nadu Small Farmers Agri-Business Consortium (TN-SFAC), Small Farmers Agri-Business Consortium Haryana (SFACH), Watershed Development Department (WDD) Karnataka, and Foundation for Development of Rural Value Chains (FDRVC) Ministry of Rural Development (MoRD).

Implementing Agencies (IAs) will engage Cluster-Based Business Organisations (CBBOs) to aggregate, register and provide professional handholding support to each FPO for a period of five years. CBBOs have been empanelled and engaged by IAs. CBBOs will be the source for the "end to end knowledge" on all issues related to FPO promotion.

Initially, one FPO is allocated per block. So far, a total of 4,465 new FPO produce clusters have been allocated to Implementing Agencies for the formation of FPOs, of which a total of 632 FPOs have been registered till July 2021. The maximum number of FPOs that can be promoted in one year is 1,200. During 2020–21, a total of 2,200 FPO produce clusters have been allocated for the formation of FPOs, which also include specialised FPO produce clusters such as 100 FPOs for Organic, 100 FPOs for Oilseeds, etc. Of these, 369 FPOs are targeted for formation during 2022 in 115 aspirational districts in the country[5].

5 https://pib.gov.in/PressReleasePage.aspx?PRID=1739593



NAFED will form the specialised FPOs which should necessarily be forwardly linked to the market, agri-value chain, etc. NAFED will also provide market and value chain linkages to the FPOs formed by other Implementing Agencies. During this year, five Honey FPOs have been formed and registered by NAFED in Uttar Pradesh, Madhya Pradesh, Rajasthan, Bihar, and West Bengal[6].

2.2.1 Funds Release under the Programme

Under the Central Sector Scheme for the formation and promotion of FPOs, the Department of Agriculture and Farmers Welfare (DAC&FW) makes advance release to the Implementing Agencies for the formation

6 https://pib.gov.in/PressReleseDetail.aspx?PRID=1696547

and promotion of FPOs. So far, Rs 2,491 million has been released to all IAs. FPOs will be provided financial assistance up to Rs 1.80 million per FPO for a period of three years. In addition to this, a provision has been made for matching equity grant up to Rs 2,000 per farmer member of FPO with a limit of Rs 1.50 million per FPO and a credit guarantee facility up to Rs 20 million of the project loan per FPO from eligible lending institutions to ensure institutional credit accessibility to FPOs.

2.2.2 Project Monitoring

At the district level, a District Level Monitoring Committee (D-MC) is constituted under the chairmanship of District Collector/CEO/Zilla Parishad with representatives of different related departments and experts for the overall co-ordination and monitoring of the implementation of the scheme in the district, including the suggestion for potential produce cluster and development. At the national level, National Project Management Agency (NPMA) as a professional organisation has been engaged in providing overall project guidance, co-ordination, a compilation of information relating to FPOs, and maintenance of MIS and monitoring purposes.

There are well-defined training structures in the scheme and the institutions like Bankers Institute of Rural Development (BIRD), Lucknow and Laxmanrao Inamdar National Academy for Co-operative Research and Development (LINAC), Gurugram have been chosen as the lead training institutes for capacity development and training of FPOs. Training and skill development modules have been developed to further strengthen the FPOs.

2.2.3 Implementing Agencies

To form and promote FPOs in a uniform and effective manner to achieve the target of formation of 10,000 new FPOs in five years and to make the FPOs economically sustainable, three Implementing Agencies, namely, SFAC, NCDC, and NABARD, were given the responsibilities.

a)
- SFAC will form and promote those FPOs to be incorporated under Part IX A of the Companies Act.
- NCDC will form and promote those FPOs to be registered under any Co-operative Societies Act of the states.

- NABARD will form and promote those FPOs which are registered either under Part IX A of the Companies Act or registered under any Co-operative Societies Act of states.

b) In addition to these three Implementing Agencies, if any state/ Union Territory is desirous to have its Implementing Agency, the state/UT may approach DAC&FW with details about its agency, activities and experience of the agency etc., and DAC&FW will consider the proposal on experience and existing manpower required for formation and promotion of FPOs in the region available with the agency.

c) DAC&FW may, in due course, identify and assign other additional implementing agencies to cover various sectors and geographical locations to form 10,000 FPOs as per the need of the programme.

d) The initial, as well as the state level organisations or any other Implementing Agencies approved by DAC&FW, shall also be supported.

e) Considering the Implementing Agencies' existence in the states/ regions/districts/produce clusters, their human resource and their area of specialisation, targets are to be tentatively allocated by Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC) in consultation with the Implementing Agencies. In such a case, the targets may be interchangeable on a requirement basis.

These IAs will engage the Cluster-Based Business Organisations (CBBOs) to aggregate, register and provide the handholding support to each FPOs. The support will be provided for a period of five years. The duties and responsibilities of the IAs are well defined in the Scheme Document[7].

7 http://sfacindia.com/UploadFile/Statistics/Formation%20&%20Promotion%20of%2010,000%20FPOs%20Scheme%20Operational%20Guidelines%20in%20English.pdf

2.2.4 Cluster-Based Business Organisations (CBBOs)

Implementing Agencies will set up Cluster-Based Business Organisations (CBBOs) at the state/cluster level to form and promote FPOs as per their requirements; however, targets for produce clusters, full or part of the state or region will be allocated by Project Management Advisory and Fund Sanctioning Committee (N-PMAFSC). The Implementing Agencies will apply due diligence to ensure that professionally competent CBBOs are transparently engaged and have experience in promotion and professional support to FPOs.

In a state, based on geography, produce clusters, cropping patterns, etc., there may be one or more than one CBBO. A single CBBO may serve more than one state as per requirement. However, CBBOs will be given work according to the available human resources with them, their past turnover and work experience, etc. The CBBOs will be a going concern with professional experience and exposure in the formation of FPOs in agriculture and allied sector and providing handholding support to them. The CBBOs should have five categories of specialists from the domain of (i) Crop husbandry; (ii) Agri marketing/value addition and processing; (iii) Social mobilisation; (iv) Law and accounts; and (v) IT/MIS in agriculture and agriculture marketing. The CBBOs with a requisite number of other technical and supporting staff to be housed/operated from their own offices in respective states or from offices of respective Implementing Agencies which have selected them. A total of 265 organisations were selected as CBBOs for implementation of the programme[8].

2.3 Challenges Faced by Stakeholders in FPO Promotion

The Government of India has designated Implementing Agencies (IAs) like SFAC, NABARD, NCDC, NAFED, and others under the Central Sector Scheme. The IAs have empanelled and sanctioned FPO promotion to over 200 Cluster-Based Business Organisation (CBBOs) across the country to form and promote FPOs in different states and regions. The common

8 https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1818764

ground binding all the CBBOs is that there has been a wide range of issues and challenges being faced in the initial phase of promotion of new FPOs as per the operational guidelines. Little support from the state governments, information asymmetry, and promotion of FPOs in blocks that already have more than one functional FPO are some of the challenges faced by the CBBOs. And since this new programme involves multiple IAs and a multitude of other stakeholders, the complexity of the issues and challenges has also kept on increasing.

Mahila Abhivrudhi Society (APMAS), one of the CBBOs, has organised a webinar to discuss and bring forward common challenges that CBBOs have faced under the 10,000 FPOs programme. The following is the summary of the deliberations.

2.3.1 Challenges Facing Allotment of FPOs to Each CBBO

a) In 2020, it was decided to limit the number of FPOs allocated to each CBBO to 25. While the intent to ensure that each CBBO can provide dedicated support and focus for the incubation, growth and sustainability of the FPOs they incubate and bring them to success was well founded, in reality this approach created challenge.

b) The allocation of FPOs was not done strategically as in many cases, they have been scattered across different geographies, making it logistically difficult and a "cluster approach" could not be followed for the FPO business to be viable. This ultimately has raised the cash-flow issues and hampered the operations on the ground.

c) Allocation of FPOs has been done in blocks where there are already FPOs existing promoted by the same agency, or another NGO/agency and it has become difficult for new FPOs in the same geographical area where there are one or more FPOs functional.

d) In the first round of allocation of blocks/areas to the Implementing Agencies/CBBOs, there was no consultation, which resulted in blocks allocated being scattered in an entire state or not from a contiguous geographic area. The MoA&FW must put in place a mechanism for change of the blocks as per the need at the D-MC/SLCC level.

2.3.2 Challenges Relating to Payment to CBBOs/FPOs

a) It is still not clear whether the FPO promotional funds provided to the CBBO are in the form of fee or grant. This has become a big concern for CBBOs, many of them being not-for-profit entities. If the funds are considered as fees and taxes are deducted by the IAs, the NGOs which perform the role of CBBO may lose their charitable status.

b) An advance amount is proposed by NABARD/NCDC upon signing the sanction letter (upon agreeing to the terms and conditions) but the delay in release of advance added to the cash flow issue.

c) There is no uniformity among the IAs regarding raising an invoice and reporting formats. As all the Implementing Agencies are to follow the Common Operational Guidelines, the CBBO agreements, invoice formats, and monitoring and reporting formats must be uniform.

d) 10% TDS deduction in payments to CBBOs (by SFAC) is a considerably huge amount for the organisations to forego and also, such deductions can have legal issues.

2.3.3 Challenges Faced in FPO Formation and Promotion

a) As the Central Sector Scheme (CSS) has steadily moved into a target-oriented approach, the initial push has been to somehow get the FPO registered and then work towards mobilising farmers and the formation of farmer groups. To lay a strong foundation, FPOs must be promoted in a process-oriented manner by using innovative institution and business development methods.

b) FPO allocation to CBBOs given in totally new geographical areas (where the CBBOs have no previous presence), understanding social-cultural dynamics and co-ordination has been a huge challenge. In addition, there has been too much pressure from IAs to get FPOs registered.

c) Due to the Covid-19 crisis and economic distress, the small and marginal farmers (especially from poor areas) are struggling to pay their FPO share capital.
d) KYC documentation for registration is also a huge challenge in such areas.
e) In most of the cases, the CBBOs have borne the cost of registration of FPOs, though this cost is included in the ‘FPO management costs’ which are to be released to FPOs.
f) There is delay in bank account opening as there is an existing information asymmetry between bank officials and FPOs. This issue will also impact other aspects like availing loans, credit guarantee schemes, etc.

2.3.4 Other Challenges – Markets, Finance, Human Resource/ Technology

Despite impressive growth in the number of FPOs across the country, they face several challenges ranging from management of the business, irregular supply and lack of timely financial assistance. Access to credit has been one of the key challenges faced by FPOs. Though Public Sector institutions have made available several schemes for FPOs to avail finance/ credit, many FPOs do not have the know-how to access these schemes due to lack of awareness of schemes, poor statutory compliances and bookkeeping, and human resource constraints.

Access to markets is another issue that FPOs face. So far, in the absence of proper market linkage and handholding, farmers and FPOs have been caught in a classic chicken and egg situation – without a reliable market linkage support they have been hesitant to get into the activity of aggregation, which presents substantial market-based risks. Organised players and institutional buyers have been hesitant to get into arrangements with FPOs that by-pass the mandi as they have not been able to find strong FPOs who can promise the required quality and quantity and other conditions which a network of market players in the mandi can offer.

2.4 Policy Environment for Support of FPOs

2.4.1 Agri Infrastructure Fund

As mentioned in the Scheme Guidelines for Central Sector Scheme (CSS) of financing facility under Agriculture Infrastructure Fund, the role of infrastructure is crucial for agriculture development and for taking the production dynamics to the next level. It is only through the development of infrastructure, especially at the post-harvest stage, that the produce can be optimally utilised with the opportunity for value addition and a fair deal for the farmers. Development of such infrastructure shall also address the vagaries of nature, the regional disparities, the development of human resources, and the realisation of the full potential of our limited land resources.

The government has announced Rs 1 trillion Agri Infrastructure Fund for farm gate infrastructure for farmers. This financing will be provided for funding Agriculture Infrastructure Projects at farm gate and aggregation points (Primary Agricultural Co-operative Societies, Farmers Producer Organisations, agriculture entrepreneurs, start-ups, etc.). Impetus has been given for the development of farm gate and aggregation point, affordable and financially viable postharvest management infrastructure.

Accordingly, the CSS will mobilise a medium – long term debt financing facility for investment in viable projects relating to postharvest management infrastructure and community farming assets through incentives and financial support. Subsequently, in the budget announcement made on February 1, 2021, it was decided to extend the benefit of the scheme to APMCs and modifications in the scheme were carried out with the approval of the cabinet to make it more inclusive.

The salient features of the Scheme include[9]:

- Convergence with all schemes of central or state governments.
- Online single window facility in collaboration with participating lending institutions.

9 https://agriinfra.dac.gov.in/

- Project Management Unit to provide handholding support for projects, including project preparation.
- Size of the financing facility – Rs 1 trillion.
- Credit guarantee for loans up to Rs 20 million.
- Interest subvention of 3% p.a., limited to Rs 20 million per project in one location, though loan amount can be higher.
- Cap on lending rate, so that benefit of interest subsidy reaches the beneficiary and services to farmers remain affordable.
- Multiple lending institutions, including commercial banks, co-operative banks, RRBs, small finance banks, NCDC, NBFCs, etc.
- One eligible entity puts up projects in different locations; then all such projects will be eligible under the scheme for loan up to Rs 20 million.
- For a private sector entity, such as farmer, agri entrepreneur, or start-up, there will be a limit of maximum of 25 such projects.
- Limitation of 25 projects will not be applicable to state agencies, national and state federations of co-operatives, federations of FPOs, and federation of SHGs.
- Location means physical boundary of a village or town having a distinct LGD (Local Government Directory) code.
- Each of such project should be in a location having a separate LGD (Local Government Directory) code.
- APMCs will be eligible for multiple projects (of different infrastructure types) within their designated market area.
- Interest subvention will be available for a maximum period of seven years.
- Moratorium for repayment under this financing facility may vary subject to minimum of six months and maximum of two years.
- Disbursement will complete in six years from 2020–21.
- Need-based refinance support will be made available by NABARD to all eligible lending entities including co-operative banks and RRBs as per its policy.

2.4.2 Equity Grant Scheme

Equity Grant Scheme extends support to the equity base of Farmer Producer Companies (FPCs) by providing matching equity grants subject to a maximum of Rs 1.50 million per FPC in two tranches within a period of three years and to address nascent and emerging FPCs which have paid-up capital not exceeding Rs 3.00 million to achieve the following primary objectives:

a) Enhancing viability and sustainability of FPCs.
b) Enhancing creditworthiness of FPCs.
c) Enhancing the shareholding of members to increase their ownership and participation in their FPC.

As per the SOIL Report 2021[10], since 2014, Small Farmers' Agri-business Consortium (SFAC) has been offering an Equity Grant Scheme to support FPCs, by providing a matching equity grant up to a maximum of Rs 1.50 million in two tranches within a period of three years. Over the past seven years of the scheme's existence, 735 cases have been sanctioned equity grants. Maharashtra has the highest number of cases sanctioned at 144, followed by Tamil Nadu at 104, and Uttar Pradesh at 96. In terms of the percentage of PCs covered, the national average stands at approximately 5%. Each tranche of grant sanction is counted as a separate case, and any individual PC which receives both tranches is counted twice. Thus, this percentage is an overestimate. West Bengal has the highest coverage, followed closely by Karnataka and then Tamil Nadu.

Since the inception of the scheme, SFAC provided credit cover to the extent of Rs **530.85 million** to **795 FPO** under Equity Grant Scheme[11].

2.4.2 Credit Guarantee Fund Scheme

The CGF is operated by Small Farmers Agri-Business Consortium (SFAC) through lending institutions and is a facility made available since FY 2013–14. Following is the summary of the salient features of the scheme.

Eligible Lending Institution (ELI):

A Scheduled Commercial Bank for the time being included in the Second

10 https://livelihoods-india.org/publications/all-page-soil-report.html
11 http://sfacindia.com/Equity_grant.aspx

Schedule to the Reserve Bank of India Act, 1934, and Regional Rural Banks, NCDC, NABARD and its subsidiaries, NEDFi, or any other institution(s) as may be decided by the SFAC Board or as directed by the Government of India from time to time.

Credit Facilities Eligible under CGF SFAC Shall Cover:

- Credit facilities (Fund-based and/or Non-fund-based) already sanctioned/extended within six months from the date of the application for the Guarantee Cover or intended to be extended singly or jointly by one or more than one Eligible Lending Institution(s) to a single eligible FPC borrower by way of term loan and/or working capital/composite credit facilities without any collateral security and/or third-party guarantees.
- The ELI can extend credit without any limit; however, the Guarantee Cover shall be limited to the maximum guaranteed cover specified under the Scheme, provided that the credit facility is extended without any collateral security and/or third-party guarantees.

Non-Eligibility

The following credit facilities shall not be eligible for Guarantee Cover under the Scheme:

- Any credit facility which has been sanctioned by the ELI against collateral security and/or third-party guarantee.
- Any credit facility in respect of which risks are additionally covered under any scheme operated or administered by Reserve Bank of India/or by the government/or by any general insurer or any other person or association of persons carrying on the business of insurance, guarantee or indemnity.
- Any credit facility which does not conform to or is in any way inconsistent with the provisions of any law, or with any directives or instructions issued by the central government or the Reserve Bank of India, which is, for the time being, in force.

- Any credit facility granted to any borrower, who has himself availed of any other credit facility covered under this scheme or under the schemes mentioned in the clauses above at any point in time.
- Any credit facility that is overdue for repayment/NPA taken over by the ELI from any other lender or any other default converted into a credit facility.
- Any credit facility which is overdue for repayment.
- Any credit facility which has been rescheduled or restructured on becoming overdue for repayment.

Credit Guarantee Cover

- ELI shall be eligible to seek Guarantee Cover for a credit facility sanctioned in respect of a single FPC borrower for a maximum of two times over a period of five years.
- Maximum Guarantee Cover shall be restricted to the extent of 85% of the eligible sanctioned credit facility, or Rs 8.50 million, whichever is lower.
- In case of default, claims shall be settled up to 85% of the amount in default, subject to maximum cover as specified above.
- Other charges, such as penal interest, commitment charge, service charge, or any other levies/expenses, or any costs whatsoever debited to the account of FPC by the ELI other than the contracted interest shall not qualify for Guarantee Cover.
- The Cover shall only be granted after the ELI agrees with SFAC and shall be granted or delivered as per the Terms and Conditions decided upon by SFAC from time to time.

Sanction

SFAC shall:

- Scrutinise the proposal before sanctioning the Guarantee Cover to the ELI under the Scheme by the Terms and Conditions of the Scheme.

- Insofar as it may be considered necessary for the Scheme, inspect or call for copies of the Books of Account and other records (including any Book of Instructions or Manual or Circulars covering general instructions regarding Conduct of Advances) of the Lending Institution or of the Borrower from the Lending Institution.
- Such inspection shall be carried out either through the officers of SFAC or any other agency appointed by SFAC for inspection.
- The Investment and Claims Settlement Committee (I&CSC) shall sanction the Guarantee Cover to the concerned bank based on the findings of the above.
- The ELI shall enter into an Agreement with SFAC at the level of the Bank Branch Manager.
- Since the inception of the scheme, SFAC has provided credit cover to the extent of **Rs 818.96 million** to **268 FPOs** under Credit Guarantee Cover Scheme.

2.5 Role of State Level Producer Companies

Aggregating producers into collectives is universally accepted as one of the most effective means of reducing the risk in agriculture and improving the access of small and marginal producers to investments, technology, and markets. Several thousand Farmer Producer Organisations (FPOs) exist across the country, registered under various statutes such as the Co-operative Laws, Trusts, and Federations and lately under the Companies Act as Producer Companies. However, the vast majority of FPOs continue to struggle to establish viable and sustainable business models and achieve significant revenues and returns to their members.

As part of SFAC's mission to link small farmers to technology as well as to the markets in association with private, corporate or co-operative sectors and, if necessary, by providing backward and forward linkages, an initiative has been taken to establish State Level Federations of FPOs to create a state-level umbrella support for the member FPOs. These federations exist under the statutes of the Companies Act as Producer Companies and are seen as an effective solution to the challenge of:

a) Achieving better co-ordination among FPOs.
b) Enabling them to enter into policy dialogue with the state and central agencies.
c) Accessing services and inputs from government and private agencies.
d) Increasing capacity in a cost-effective manner.
e) Seeking credit from financial institutions.
f) Leveraging opportunities in agribusiness.

In the first phase, eight such State Level Producer Companies (SLPCs) are supported in the states of Madhya Pradesh, Rajasthan, Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, Telangana, and West Bengal[12]. In addition to SFAC sponsored SLPCs, some of the promoting agencies have established SLPCs and a few self-promoted SLPCs are also functioning.

12 http://sfacindia.com/UploadFile/Statistics/SLPC.pdf?v65878741.8974568

Chapter 3

Typology of FPOs: Mapping the Evolutionary Journey

Gouri Krishna
Ved Prakash Singh

Summary

Farmer Producer Organisations in the country were primarily co-operatives for a long time. The Companies (Amendment) Act, 2002 introduced a new form of collectives, namely, producer companies. Producer companies are considered a hybrid between co-operative societies and private limited companies. This chapter explores the typology of FPOs and maps the evolutionary journey since 2003 when the Amendment Act had come into force, allowing the formation of Farmer Producer Companies.

The types of FPOs are discussed under six categories, viz., FPOs promoted by the government, by sector expert organisations, by NGOs/ social enterprises, by corporates, by philanthropic organisations and finally, by farmers themselves. The diversity of promoting agencies involved in the promoting process, the variation in the guidelines in the government programmes, the philosophy of the promoting agencies, the strategies of corporates, and the objective and approaches in promoting, resulted in a variety of producers collectives.

The majority of the FPOs today are promoted under various government schemes. The approach of the government evolved over the years in terms of objective, strategy, and resource allocation for the growth of the collectives. FPOs were promoted initially as a sub-component of larger government projects such as the District Poverty Initiatives Project, the

Agriculture Competitiveness Project by state governments, and the Rural Livelihood Mission. Then came the exclusive FPO promotion programmes of SFAC and NABARAD and finally, the large-scale pan India programme of 10,000 FPOs with One District and One Product scheme. The approach to the promotion of FPOs evolved over years from a scale and milestone-based approach to the value chain and business orientation focus. The government in the year 2020 has adapted a cluster-based value chain approach to identify the gap areas and, therefore, build an appropriate business model. It offers a value proposition to farmers and consumers.

The second category of the FPOs are those formed by promoting agencies endowed with expertise in a particular commodity that they have acquired over many years. These promoting agencies were engaged in organising commodity-specific FPOs either themselves or offering guidance to other organisations in the formation and operationalisation of commodity-specific FPOs. These include the Producer Companies in Milk by NDDB Dairy Services, Poultry FPOs by NSPDT and other NGOs. This category also includes FPOs dealing in spices, coconut and other horticulture crops promoted by the National Horticulture Mission.

The third category refers to the involvement of CSO/NGOs and social enterprises in promoting FPOs outside the purview of government supported projects. These were promoted either as a part of a larger project implemented by these organisations or as a pilot or as converting the collectives promoted by them previously into a company format.

Foundations established by corporates constitute another set of FPO promoting agencies that are engaged in establishing FPOs in their geographical area of operation with an objective of mutual benefit. These FPOs align with the strategy and philosophy of the companies and are fewer in number. This category received a big boost with the government's decision to make them eligible for empanelment with SFAC for the promotion of FPO under the One District One Cluster programme of the Government of India.

A smaller number of FPOs are promoted by the philanthropic trusts and foundations that work for promoting the livelihoods of the rural poor and vulnerable groups with an objective of community empowerment.

FPOs promoted by farmers without the intervention of an external agency is a category that is slowly gaining prominence. A common need and an enterprising leader or group of leaders give impetus to this model.

The gap, however, remains in encouraging women's participation in the FPOs and promoting women's FPOs. It is estimated that only 3% of the approximately 15,000 FPOs in the country are exclusively women FPOs.The guidelines for promoting the FPOs, including the 10,000 FPOs, are silent on encouraging women's participation barring the need for one woman member of the Board.

The approach adopted by the FPO promoting agencies in establishing the farmer collectives also witnessed a vast disparity. It depended on the programme/scheme guidelines, timelines, capacities of the promoting institute, and alignment with the corporate strategy among others. These aspects resulted in diverse types of FPOs, some successful and some struggling to survive.

3.1 Introduction

The amendment to the Companies Act, 1956 to allow formation of Producer Companies took place in 2002. For nearly a decade after the amendment of the Act, there was not much progress on the formation of Farmer Producer Companies except for a few promoted as a part of the District Poverty Initiatives Project in the state of Madhya Pradesh. In 2013 with the active role played by Small Farmers' Agri-Business Consortium, the FPC promotion gained momentum in the country. When NABARD, NRLM and other donor-funded projects took interest in this institutional model, there was a spurt of FPOs throughout the country. By the end of 2021, there were over 15,000 FPOs promoted by different promoting agencies. The Central Sector Scheme "Formation and Promotion of 10,000 new Farmer Producer Organisations (FPOs)" with a budgetary outlay of Rs 68,660 million was announced in February 2020 and operational guidelines were issued in July 2020 to give a further push to the programme of promoting of FPOs.

In all the programmes of promotion of the FPOs, whether it is central schemes, state schemes or donor-funded projects, the local institutions played a prominent role in promoting and nurturing the FPOs. Referred to as the Resource Institutes (RIs) under the SFAC programme or Producer

Organisation Promoting Institute (POPI) under the NABARD programme or the Community-Based Business Organisations (CBBO) under the central scheme of promoting 10,000 FPOs, the promoting agencies played a crucial role in building a large number of FPOs in the country. These institutes included grassroots level entities with close engagement with farmers through decades of work, as well as new entrants who forayed into the field to be a part of the much talked about FPOs programme in the country. The level of understanding of the promoting agencies, their capabilities in terms of both financial and human capacities, and the approaches of these institutes in promoting member-centric collectives of FPOs varied widely. While some were novices, others were seasoned players with strong grass root presence and experience in working with smallholder farmers. In addition to these variations, the guidelines under various schemes that sponsored FPO promotion were not uniform, leading to the formation of FPOs of different sizes and shapes over the years.

Outside the purview of government schemes, FPOs were prompted by NGOs, social enterprises, philanthropic foundations and large corporates under their CSR programmes, etc. These organisations are guided by their strategies and policies. Another category of FPOs was promoted by farmers themselves. Drawn together to address their own needs and led by an enterprising farmer or a group of farmers, they established a collective for their benefit.

3.2 Types of FPOs

Farmer Producer Organisation (FPO) is a legal entity formed when primary producers that are farmers, milk producers, fishermen, weavers, rural artisans, craftsmen, etc. come together. The FPO can be a producer company, a co-operative society or any other legal form, which provides for sharing of profits or benefits among the members. Therefore, deciding the typology of a collective can be approached in various ways. An attempt is made in this chapter to categorise the FPOs using the criteria of who promoted the FPO, how are they promoted, i.e. approach to the promotion and underlying objective of promotion. Therefore, they are broadly categorised as follows:

a) Promoted under programmes/schemes of the government
b) Promoted by organisations with sector focused competencies
c) Promoted by NGOs, social enterprises
d) Promoted by corporates
e) Promoted by philanthropic organisations
f) Promoted by farmers

The cross-cutting element among all the types of FPOs would be the different legal forms. Some schemes mandated the formation of producer companies and others are flexible on this aspect. Similarly, while most of the FPOs are gender agnostic, a few schemes mandated the formation of only women FPOs.

3.2.1 FPOs Promoted under Programmes/Schemes of the Government

a) **The Initial Phase of the Formation of Producer Companies**
In the year 2000, the World Bank-funded poverty alleviation programme of the Government of India, known as the District Poverty Initiatives Project, was launched in the states of Madhya Pradesh, Andhra Pradesh, and Rajasthan to improve the economic wellbeing of the poor. The project was aimed at improving the levels of economic activity, productivity and income in targeted districts. The implementation strategy of the programme focused on sensitisation of people on economic opportunities through group formation. Common Interest Groups (CIGs) were formed at the village level. A CIG is envisaged as a thrift and credit SHG that also shares a common occupational or developmental objective. The CIGs manage small income-generating activities and provide opportunities for employment to its members and share benefits in a participatory manner. To increase the benefit from the group activities to its members, the organisation of formal business institutions was considered by federating the CIGs into apex institutes. Thus, in Madhya Pradesh, the promoting agency took advantage of the amended Companies Act 2003 and

registered the federated bodies as producer companies. By the end of the project period in 2009, 17 producer companies were registered, with 15 agriculture-related and one each in milk and poultry sectors, paving the way for future growth of producer companies.

Since Andhra Pradesh had a very large number of pre-existing self-help groups, the process of forming/strengthening CIGs had at its base the concept of a thrift and credit self-help group (SHG). This was the basic instrument for social mobilisation and demand identification. The concept later evolved into the largest poverty alleviation project in the state and subsequently in the entire country through National Rural Livelihood Mission (NRLM).

In Rajasthan too, District Poverty Initiative Project (DPIP) was the largest poverty alleviation programme implemented with the concept of group formation. The CIGs were vehicles to achieve the objective of the project of creating common economic activity to improve the livelihoods of the poor.

b) **Scale-Oriented Approach**

In 2013, SFAC took a pioneering step and issued National Policy guidelines for FPO promotion. The preamble of the policy guidelines promulgated that the collectivisation of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most effective pathways to address the many challenges of agriculture but most importantly, improved access to investments, technology and inputs and markets[13]. This was preceded by a two-year pilot which involved the mobilisation of approximately 0.25 million farmers into 260 FPOs. After the launch of the FPO policy, SFAC has supported promotion of another 698 FPOs under its three-year programme.

In 2014–15, the Government of India created the Producers' Organisation Development and Upliftment Corpus (PRODUCE)

13 http://sfacindia.com/PDFs/FPO%20Policy%20&%20%20Process%20Guidelines%20%201%20April%202013.pdf

Fund in NABARD to promote 2,000 FPOs. By 2018, 2,154 FPOs were created under the programme with 70% of them as Producer Companies and the remaining as co-operatives and societies. Subsequently, NABARD introduced a scheme for promoting 3,000 FPOs during the next 2–3 years.

The criteria for the formation of FPOs differed in the above programmes in terms of the number of members mandated for registering a Farmer Producer Organisation. While SFAC mandated 1,000 members per FPO, NABARD FPOs were formed with 300–500 members. In both the programmes, implementation was assigned to the promoting agencies. Each promoting agency was given targets on the number of FPOs to be promoted and incorporated. These targets were to be achieved on a time-bound basis. The target activities included mobilisation of producers into Producer Groups (PGs), registration/incorporation of PO (Producer Organisation), capacity building, training and exposure visits on productivity-boosting practices through the use of modern technology, development of management systems and procedures, business operation and handholding for the development of business activities.

The key objective of these initiatives was to achieve a targeted number of FPOs and various activities as part of the process. Development of production clusters was considered to facilitate a significant volume of marketable surplus available with the FPOs. The goal of the promoting institutions was to achieve the targeted number of FPOs assigned to them over a specified time frame. While SFAC-supported farmer collectives were registered as producer companies, NABARD has supported both co-operatives and producer companies. Thus, about 5,000 FPOs were promoted under both these programmes.

c) Milestone-Based Approach

A few of the donor-funded projects to the state governments included FPO promotion as a sub-component of larger projects. Under the World Bank-funded Agriculture Competitiveness project in Maharashtra and Rajasthan, the objective was to increase productivity, profitability, and market access for farmers. For the component of market access, the project envisaged establishing FPOs and linking them to alternate market channels for improving access. Around 400 Farmer Producer Companies were formed in Maharashtra and 30 in Rajasthan under the project.

In the state of Uttar Pradesh, the objective of the World Bank-supported UP Sodic Land Reclamation project was to reclaim the lands affected by the presence of excessive sodium. One of the sub-components of the project was to collectivise farmers whose lands were reclaimed under the project and ensure institutional strengthening and capacity building of these collectives for market access. 120 FPOs are formed in the 29 districts of UP under the project.

The project guidelines under these projects clearly emphasised a market-oriented approach to building the business operation of the FPO and the establishment of business enterprises for farmers. The project was broken down into several activities and targets assigned to the promoting agencies. The activities were milestones specific, with year-on-year achievement for each project activity, such as the number of PGs, the number of members enrolled, the number trained, business turnover, etc.

d. Value Chain-Based Approach

The Deendayal Antyodaya Yojana – National Rural Livelihood Mission (DAY-NRLM), the country's largest poverty alleviation programme, has been working with the poor and vulnerable women and bringing them together into Self Help Groups (SHG). A large percentage of SHG members are dependent on agriculture, including livestock and NTFP, for their livelihoods. Self Help Groups (SHGs) are formed at the village level, which are then federated into Village Organisations (VOs) and further into Cluster Level Federations (CLF). Under the sub-component of DAY-NRLM, the Mahila Kisan Sashktikaran Pariyojana (MKSP), small and marginal women farmers are organised into institutions.

At the village level or cluster level, Producer Groups (PGs) were formed with women farmers involved in similar kinds of activities like agriculture, livestock or NTFP.

The approach under the programme envisaged value chain interventions to be developed in geographies where SHGs, social capital and PGs are adequately present. The value chain development strategy promoted market-linked Producer Enterprises (PEs) which have a robust business model for better price realisation of small and marginal farmers. The programme implemented by SRLMs through technical support agencies commences with the identification of clusters with potential commodities. For the commodities identified (approx. 10–20 per state), a detailed commodity value chain development exercise would be taken up to arrive at the appropriate intervention required. Interventions centre on post farm gate value addition and marketing. A planned value chain intervention in the project area precedes the formation of producer groups. The producer groups are then federated to form Producer Enterprises which are registered either as co-operatives or Producers' Companies.

The value chain interventions under the programme contributed significantly to promoting producers' collectives, viz. producers' groups (PGs) and producers' enterprises (PEs) that enable small and marginal women farmers to access markets. As of March 2022, NRLM has supported value chain development proposals covering 81.82 million SHG households. Over 575,000 Mahila Kisan were involved in Producer Enterprise promotion. The interventions are focused on value addition and market linkages through Producer Enterprises in vegetables, black gram, green gram, groundnut, maize, mustard, paddy, pigeon pea, wheat, dairy, fishery, piggery, duck farming, goatery, backyard poultry, honey beekeeping, floriculture, mango and ginger, cashew, hill broom, tamarind, amla (Indian gooseberry), bael (stone apple), salai gum (Indian Olibanum), and other Non-Timber Forest Products (NTFPs). DAY-NRLM has promoted over 1,000 FPOs through a value chain approach.

DAY-NRLM launched a collaborative effort with Tata Trust and established the Foundation for Development of Rural Value Chain (FDRVC) to bring about a systematic approach to value chain intervention. FDRVC helps in income enhancement of farmers by organising them into large Producer Enterprises.

Box 3.1: Collaborative Efforts in the Creation of Producer Enterprise – FDRVC and BWFPC

Bethalaswamy Women Farmers Producer Company (BWFPC) was established in June 2021 with the help of Telangana State – Society for Elimination of Rural Poverty (CBBO – TS-SERP) under the guidance of the Implementing Agency-Foundation for Development of Rural Value Chains (IA – FDRVC) in Alladurg block of Medak district, Telangana. It has a membership of 977 farmers from 75 farmer producer groups (PGs) spread across the block and share capital of Rs 0.48 million. The principal crops in the regions are bengal gram, groundnut, jowar, and onion.

The FPO began its business operations with onion. Farmers in this region largely grow onions of Panchganga (pink onions) and Pardesi (red onions) varieties in the rabi season. During the harvest season, the FPO has been helping its farmers with the sale of onions by collectively purchasing the produce and sale of the same. As is the case with a majority of the farmers across our country, the farmers in this region have also been selling their produce in lots to the local middlemen without grading and sorting the produce, which usually fetches lower returns. The FPO has trained the farmers to grade and sort the produce as per the market standards. This has enabled the farmers to grade their produce into three major grades according to the diameter of the onions – small (45–55 mm), medium (55–75 mm), and big (75–95 mm). The FPO collects the produce from the farmers as per the grading standards set by the modern retail trader chains through the Village Level Procurement Centres (VLPCs). The FPO then sells the aggregated produce to Be'Nishan, which is a producer company promoted by

TS-SERP. Be'Nishan enables sale of produce to modern retail trade chains as well as other food processing companies. Be'Nishan then pays the due amount to the FPO.

The FPO is supported both by SERP and FDRVC in the incorporation as well as operations of the FPO. FDRVC has been providing strategic guidance and capacity building support through workshops on the incorporation of an FPO, shareholder mobilisation, and preparation of AOA and MOA, share allotment procedures and compliances that need to be followed by the FPOs as per the Companies Act 2013 and the operational guidelines of the Central Sector Scheme. Apart from these FDRVC provides timely inputs and advice on availing various benefits of the scheme, application for matching equity grant and formulation of plans to utilise the same and guide in application for Credit Guarantee Fund, Agriculture Infrastructure Fund, and other state and central government schemes that are aimed toward the welfare of farmers as well as support for FPOs. Further, FRDVC also helps the FPOs in developing their business plans, thus ensuring their successful business and thereby growth and stabilisation.

e. **One District One Product (ODOP) approach**

Under the Central Sector Scheme of "Formation and Promotion of 10,000 Farmer Produce Organisations (FPOs)" launched in 2020, the approach was to form "One District One Product" (ODOP) clusters. The scheme envisages reaping the benefit of scale in terms of procurement of inputs, availing common services and marketing of products. The scheme provides a framework for value chain development and alignment of support infrastructure. There may be more than one cluster of ODOP products in one district. There may be a cluster of ODOP products consisting of more than one adjacent district in a state.

The government had assigned the task to nine implementing agencies that will engage promoting institutes referred to as Cluster-Based Business Organisations (CBBOs) to aggregate, register, and provide professional handholding support to each FPO for a period of five years. The handholding support will cover all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages, and use of technology. The objective of long-time support is to build the capabilities and entrepreneurship skills of the FPOs to become economically viable and self-sustaining post government support. The cluster-based, ODOP approach is expected to lead to the formation of specialised FPOs which would be forwardly linked to markets and agri-value chains.

Over the years, the government supported programmes of FPO promotion have evolved from being a small component of a project to a large-scale pan India programme. The approach changed from being focused on numbers and business orientation to a closely monitored cluster-based approach that would achieve both scale and commodity value chain development. The objective of promotion emphasised not only creating FPOs but also promoting production clusters of specific commodities. The allocation of funds and matching grant support to leverage finances, though, was hindered by process and procedural delays. While the schemes helped in the growth of numbers, it is to be seen if it matches the success rate of these collectives and in income enhancement to the smallholder farmers.

3.2.2 Promoted by Organisations with Sector-Focused Competencies

a) **Commodity Approach**

In sharp contrast to the promoting agencies that were constrained on financial resources and were dependent on project-based funding, certain large organisations with high competencies and endowed with rich resources are promoting high achieving FPOs.

- The NDDB Dairy Services (NDS) Company is one such organisation that has an in-depth understanding of the milk sector with several years of experience in dealing with the commodity. It has access to capital both from internal resources and the capacity to source external funding. NDS supported the incorporation of 16 Milk Producer Companies (MPCs) in 10 states in India between 2012 and 2021. Out of these, six MPCs were promoted under National Dairy Plan I in the states of Rajasthan, Punjab, Uttar Pradesh, Gujarat, Andhra Pradesh, Tamil Nadu, and Bihar. Five greenfield MPCs were set up for Tata Trusts in Maharashtra, Rajasthan, Punjab, Haryana, and Uttar Pradesh, and five more for NRLM/SRLMs in Rajasthan, Uttar Pradesh, Bihar, and Madhya Pradesh. These companies achieved scale in membership, turnover, and market reach. Together, the 16 milk producer companies enrolled about 0.697 million milk producers as members as of January 2022. All the companies put together procure about 2.9 million litres per day of milk and have a share capital of Rs 1,670 million. The turnover of these companies was Rs 47,920 million for the year ending March 2021.

NDS is planning to facilitate FPCs in the non-dairy sector (mainly horticulture) in the near future.

- Another example where sector competency supported FPO promotion is the poultry sector. The National Smallholder Poultry Development Trust (NSPDT) promotes a smallholder community poultry model enabling poor women in rural India to start and run successful poultry enterprises. The model adopts industrial poultry to a small woman farmer in a remote village. It organises women into collectives, creating systems and processes for them to attain industry competitive production and scale efficiencies. Women from poor families are organised into co-operatives with each woman rearing broilers in modern poultry farms built in her backyard. A mature co-operative typically has 300–500 members. Co-operatives across a state or region form a federation. This enables members to attain economies of scale in procuring inputs, improved compliances, and access to professional and technical support, while providing

Table 3.1: Milk Producer Companies (MPCs) Facilitated by NDDB Dairy Services (NDS) Incorporated/ Operationalised till March 2021

Sn.	Category	No. of MPCs	No. of States Covered (Operational Area)	Current Status as on Jan 31, 2022			FY 2020–21	
				No. of Villages Covered	No. of Members	Share Capital (Rs In Million)	Avg. Daily Milk Procurement ('000 LPD)	Total Revenue (Rs in Million)
1	National Dairy Plan	6	7	12,469	509,762	1,450	2,566	42,550
2	Greenfield- Tata Trusts	5	5	2,126	89,435	140	235	3,700
3	Greenfield- NRLM/SRLM	5	4	2,410	97,949	80	97	1,670
	Total	16	10	17,005	697,146	1,670	2,898	47,920

Source: NDDB Dairy Services

a platform for sharing knowledge and process among member co-operatives and building solidarity. The federation ensures that co-operatives remain competitive, adapting and responding to techno-commercial changes in the industry. NSPDT has so far promoted 15,000 women poultry producers in 27 poultry producers' organisations (Co-operative & Producers company) in MP, Jharkhand, Maharashtra, Assam, and Odisha. Total turnover was more than Rs 5,240 million and members' profits more than Rs 400 million.

- Some of the state-supported programmes, such as the Coconut Development Board and Spices Board, among others, are also engaged in commodity-specific FPO promotion as part of their mission. There are 445 spices FPOs[14] promoted by Spices Board in 21 states, including Producer Companies and Societies. The Coconut Development Board has promoted 60 coconut FPC in four states and has nearly 10,000[15] coconut farmers' societies.

For the commodity-specific collectives, large volumes, guidance from an experienced mentor, growing market demand for the commodity, and adequate funding support are appropriate ingredients for success. With a large membership base, these FPOs can build their paid-up capital and their capacity to leverage credit to increase business transactions. The Milk Producer Companies (MPC) have the practice of deducting small amounts daily from payments due to the members, which increases the member's share capital in the company over the years. Therefore, there is a fast increase of paid-up capital.

3.2.3 Promoted by NGOs, Social Enterprises

Civil Society organisations are highly active in the FPO space. Majority of promoting agencies under the government programmes are NGOs. However, a few of them also promoted FPOs as part of their programmes without being part of any scheme or project. With strong handholding

14 http://www.indianspices.com/sites/default/files/FPO_List_2021.pdf

15 https://coconutboard.in/EPC/cps_search.aspx

support offered by the NGO, some of these FPOs have grown into successful collectives in niche areas. In addition to not-for-profit organisations, a few social enterprises are also foraying into the FPO promotion.

- Cofe Farmer Producer Company Limited (CPCL) was promoted by SRIJAN (Self Reliant Initiatives through Joint Action) in November 2015 as a Producer Company. The FPC operates in 200 villages of Mohkhed, Bicchua, Chhindwara, Pandhurna, Sausar, and Chourai blocks of Chhindwara district in Madhya Pradesh. The FPC is a women member FPC with 905 shareholders. Most of the shareholders are active members and are small and marginal farmers. The total land catchment area of the FPC is nearly 1,300 acres. CPCL is engaged in agri-input marketing and agri-produce marketing, especially in soybean, wheat, paddy, maize, and raw fruits and fruit pulp through their collection centre. For backward linkage, the FPC operates an agri-input shop and has linkages with local dealers. CPCL has a custard apple processing unit and they supply pulp to a food processing company. In the financial year, 2020–21 the turnover of FPC was Rs 4.86 million with a profit of Rs 0.25 million.
- Kalisindh Farmer Producer Company Ltd (KFPCL) was promoted by CARD (Centre for Agriculture and Rural Development), a Non-Government Organisation, promoted at Dhabla Hardu in Tarana block, District Ujjain, Madhya Pradesh. The FPC covers 25 villages in two blocks, named Tarana and Mahidpur. The FPC has 970 shareholders (340 women) with an active member base of 640. The major commodities identified for undertaking target business activity by KFPCL are soybean, wheat, gram, potato, onion, and garlic. KFPCL has a strong backup of committed promoters and directors who have expertise in agriculture production and an in-depth understanding of the collective marketing concept. The main revenue-generating business activities are collective purchase of inputs including seeds, pesticides and fertilizers, equipment hiring services, seed production, product aggregation, and marketing of produce and primary processing of agricultural

produce, i.e., cleaning, sorting, and grading of the produce. The FPC has reported a turnover of Rs 5.66 million in the year 2019, which increased to Rs 30.28 million in the year 2021.

- Chirayu Women Crop Producer Company Limited, Bhoura (CWCPCL) in Betul district, Madhya Pradesh, was promoted by PRADAN, a Non-Governmental Organisation. It serves 1,000 women shareholders for the production and marketing of maize, gram, and wheat. CWCPCL adopted a two-pronged strategy to popularise hybrid maize among smallholders and stabilise the yield of the crop by introducing better crop management practices and relentlessly working for expanding market linkages for maize. In 2018–19, CWCPCL initiated hybrid maize seed production at a small scale in collaboration with Syngenta Foundation India. Over the next three years, seed production became a major source of revenue for the enterprise and ensured that the shareholders have access to a good quality hybrid at a cheaper price. In 2021–22, seed production has been taken up in eight acres of land, which is expected to produce 10 tons of quality hybrid seeds. CWCPCL has a turnover of Rs 26.4 million in 2020–21. In 2019–20, CWCPCL has been awarded as the best FPO (in the small category) by Access Development Services and Rabo Bank.

Driven by the promoting organisation with strong philosophies of upliftment of the poor and the marginalised, the FPOs promoted by NGOs are handheld for a longer period. They facilitate sustainable growth and ensure accrual of benefits to the members. The revenue grows slowly but the promoting agency ensures laying strong foundations of principles of co-operation in achieving member centrality, equity, and self-help among the members.

3.2.4 Promoted by Corporates

A small number of FPOs are promoted by corporates with the purpose of being mutually beneficial. It can be considered as a part of giving back to society through foundations established for this purpose. They undertake activities that conform with the philosophy of the organisation. Such programmes have a diverse portfolio of projects and activities spread in the geographic area of operations of these companies. The recent push of promoting farmer collectives had influenced these organisations to take up the FPO promotion.

In general, corporates tend to promote FPOs in their catchment areas where agriculture-related projects are implemented with smallholder farmers. This ensures assured supply for its operations, for example, supply of fruits and vegetables for food retail stores, bio-mass supply from the FPC to the power plants and cement factories, etc. The member farmers of the collectives are benefitted from the assured market and timely payment from such arrangements.

Under the Bharat India Jodo (BIJ) rural transformation project of the Reliance Foundation, 30 FPOs were formed in 550 villages. Keeping the community and their development needs in the centre, the programme aims to mobilise, organise, and strengthen the capacity of communities by adopting participatory processes. These interventions are designed to promote collective ownership, and decision-making and catalyse collective action for sustainable development.

The agriculture livelihood promotion activity of Ambuja Cements aims to support with affordable inputs and a stronger capacity for collective bargaining for farmers via the formation of a Farmer Producer Organisation to increase the productivity and profitability of all members. The Ambuja Cements Foundation (ACF) has established 20 FPOs. ACF helps to facilitate market linkages so that each farmer producer organisation can cut out the middlemen and generate better profits for their members. The FPCs also meet the requirement of the cement factory of ACL through the supply of biomass.

This category of organisations got a big impetus with the notice issued by SFAC in 2022[16] inviting entities with a turnover of over Rs 2,500 million and have been sponsoring and implementing Corporate Social Responsibility (CSR) activities directly or through their foundations/trusts for empanelment for promoting specialised FPOs focusing on agri-value chain.

---

16 http://sfacindia.com/PDFs/Tenders/Notice-Empanelment-of-Corporate-Organizations-CSS-Formation-and-Promotion-of-10000-FPOs.pdf

Box 3.2: Serving Each Other's Interests – A Case of RPCL and ACF

Rupnagar Producer Company Ltd (RPCL) was promoted by Ambuja Cement Foundation (ACF) in Punjab. It was incorporated in 2013 with farmers from the surrounding villages of its cement plant in Ropar.

In the initial years, the FPC was engaged in the aggregation of bio-mass material from local farmers and supplying it to the power plant of Ambuja Cements Ltd (ACL) in Ropar. For the first two years, the FPC continued with one single business activity of bio-mass aggregation. This gave visibility to the FPC among the farmers' community. In the third year of its operations, it started offering services to its farmer members in the form of renting out farm machinery. This enhanced the credibility of the FPC among farmers who were faced with issues of accessibility and affordability of hiring farm machinery in the area. Subsequently, the company expanded its business to input supply, and output marketing by providing remunerative prices to the members.

The input centre of RPCL, which started with fertiliser sales, now deals with seeds, pesticides, and weedicides. Members get inputs at 5–10% lower cost than the market. RPCL is providing Rs 18 per quintal to farmers as a bonus through wheat and paddy procurement on the MSP rate. By providing CRM (crop residue management) machines to its members, RPCL is able to contribute to burning free area of about 200 acres.

Members continue to supply biomass to ACL Company through RPCL, thus meeting the requirement of the plant. RPCL has nearly 500 members and its turnover increased from Rs 1 million in 2013 to Rs 42 million in 2022.

3.2.5 Promoted by Philanthropic Organisations

These organisations work for community development and empowerment. They strive to build institutions that are sustainable, scalable, and create an impact on both economic and social fronts among the people with whom they work. Harsha Trust, Odisha (2 FPOs), Deshpande Foundation, Karnataka (7 FPOs), Mann Deshi Foundation, Maharashtra (1 FPO), Hans Foundation, Haryana (2 FPOs), and MS Swaminathan Research Foundation, Tamil Nadu (12 FPOs) are some of the philanthropic foundations engaged in FPO promotion.

3.2.6 Promoted by Farmers

Ideally, FPOs are formed by coming together of a group of farmers who join hands with a common vision and mission. However, this mostly happens with the external intervention of a promoting agency that plays the role of a catalyst in bringing the farmers together, building awareness, providing capacity building, and handholding support for the growth of the collective. In a few cases, FPOs were formed by farmers themselves without such intervention by an external agency. Driven by a common cause and led by an enterprising individual farmer or a group of individuals they work together to build a collective to solve the problems faced rather than wait for the government or others to help. Referred to as self-promoted FPOs[17], these constitute a small percentage of FPOs in the country.

- Known to be of the farmers, by the farmers and for the farmers and consumers, Sahyadri farmer producer company is one such FPC established by smallholder farmers coming together for greater impact through co-operation. By focusing on crop-specific (grapes) integrated value chain, the FPC achieved scalability and sustainability and also reached the consumer directly. With over 10,000 members from over 120 villages, the FPC is one of the largest producer organisations in the fruits and vegetable sector and India's largest exporter of grapes. It exports to over 40 countries and reaches nearly 33,000 customers.

17 http://sfacindia.com/PDFs/List-of-FPO%20identified-by-NONSFAC/Self_Promoted_FPOs.pdf?var=9958569.25855

Box 3.3: For the Farmer and the Consumer by the Farmers – Sahyadri Farms

To make small landholding farmers independent and self-sufficient, Sahyadri Farms, an FPC registered in 2010, aims to achieve the twin goals of farmer sustainability and consumer benefit. The FPC is 100% owned and managed by farmers. Starting with 100 farmers in 2010, Sahyadri Farms is a success story with 10,000 farmers collectively owning about 25,000 acres in the Nashik region of Maharashtra and producing about 1,000 tonnes of fruits and vegetables daily. Sahyadri Farms is the biggest exporter of grapes in India. Around 60% of Sahyadri Farms' fruits and vegetables are exported and 40% are sold in India.

Sahyadri manufactures and markets different kinds of value-added products of vegetables and fruits, such as pulps, dices, fruit juices, slices, ketchup, frozen vegetables, and fruit jams under the brand name of Sahyadri Farms. It sells these through retail stores in Mumbai, Pune, and Nashik and home deliveries through its e-commerce platform. The FPC provides better prices to its members for their output through value addition and export market, and lowers the cost of production by supplying inputs that cost less than the market rate.

Driven by a vision of an enterprising farmer to create crop-specific integrated value chains empowered by technology and efficient management, Sahyadri FPC grew to become the country's largest FPC with a revenue of over Rs 5,000 million.

- Nachalur Farmers Producer Company Ltd (NFPCL) in Karur district in the state of Tamil Nadu is another farmer promoted collective incorporated in 2012 with 50 farmers that grew to 350 members by 2021. It covers 50 villages in the district and focuses on the supply of quality seeds, fertilisers, and pesticides to its members.
- India Organic Farmers Producer Company Ltd (IOFPCL) is an exclusive organic farming focused FPC promoted by farmers.

IOFPCL is situated at Aluva in Kerala. It claims to be the largest organic producer company in India owned by the farmers. The company serves more than 2,500 primary producer members in Kerala, Karnataka, and Tamil Nadu.

Box 3.4: Price Benefit through Exports – IOFPCL

IOFPCL was founded in the year 2004 and incorporated under the Companies Act of 1956, which is emboldened to take on the challenges to assist the member farmers in the production, procurement, processing, and marketing of organic and Fairtrade certified products in the domestic and international markets. The company pays a premium price to the producers through collective marketing efforts.

IOFPCL has been registered with the Directorate General of Foreign Trade as an Importer–Exporter. The Company is also a 'Registered Exporter Member' of the Spices Board, Coffee Board, and Agricultural and Processed Food Products Export Development Authority (APEDA). The company has been successful in exporting organic and Fairtrade products. IOFPCL is certified organic by INDOCERT as per Indian, EU, and USDA NOP. The company is FLO Fairtrade Certified by FLO-CERT Germany.

IOFPCL is mainly engaged with the procurement of Organic and Fairtrade certified cocoa, coffee, pepper, vanilla, cashew, nutmeg, turmeric, ginger, and coconut from the members for domestic and international markets. IOFPCL exports cocoa to Switzerland and Germany, coconut oil to France, and coffee to Germany. The company had a turnover of Rs 26 million in 2021, of which 60% is from exports.

With a motto of "self-help as the best help", self-promoted FPOs demonstrate a significantly higher potential to grow. With farmers themselves at the helm of affairs, fellow farmers are more amenable to joining the collective, thus making mobilisation and growth of membership of the FPO much easier than other modes. Member loyalty and member centrality-based operations support the growth of such FPOs. Equity mobilisation and capital formation, and further support to the FPO in leveraging investments, and strong leadership with the interest of farmers at the core is central to augmenting the growth of this category of FPOs.

Annexure I provides a summary of various types of FPOs promoted by a variety of promoting agencies.

3.2.7 Women Producer Companies

A special reference to women farmer producer companies warrants discussion. According to an Oxfam research study, the agriculture sector employs 80% of all economically active women in India, which comprises 48% of the self-employed farmers and 33% of the agriculture labour force. Also, 85% of rural women in India are working in agriculture. However, none of the FPO promotion programmes announced by the government till date specify organising exclusive women FPOs or mandate a minimum number of women shareholders in an FPO in their guidelines except for the requirement of at least one woman member on the Board.

There is no gender-disaggregated data readily available but some studies estimated that about 3% of the FPOs in the country are all women FPOs (Neti & Govil, 2022). With 80% of the agriculture workforce being women, this is a matter of concern. Though the number of women FPOs is small, some of them stand out for successfully operating and ensuring the economic empowerment of women.

The participation of women in self-help groups (SHGs) over three decades has impacted the economic, social, and political empowerment of women positively. SHGs and federations have been demonstrated as self-reliant institutions. These entities not only performed well in making credit accessible to rural women but also functioned in the areas of sustainable agriculture, education, health, solid waste management, etc. NRLM has, therefore, increased its focus on FPO promotion of women farmers, which gives scope for more women FPOs in the future.

Box 3.5: Aamon Women Producer Company – A New Hope for Tribal Women Farmers

NRLM promoted SHGs with 5,000 women from the far-flung tribal hinterland of Nayagram block of Jhargram district, West Bengal. These women revived the auspicious indigenous varieties of paddy with the help of PRADAN (a national level NGO) and adopted completely organic practices to grow these varieties. They could double their income by selling through the producer company Aamon. Aamon is the new hope for many Santahal, Mahato, and Sabar women in Nayagram block of West Bengal.

Aamon women farmers followed the decision of the FPC to grow black rice and took up cultivation. Earlier, the paddy would sell for Rs 11–13 per kg, while the black rice now sells for Rs 34 per kg and the other varieties fetch Rs 20–25 per kg. The women witnessed a jump of two to three times in their incomes. Women are now diversifying their portfolio to add new products such as turmeric, medicinal herbs, and Sal leaf plates. Around 1,500 women farmers have sown turmeric over 20 hectares. Another 300 farmers are growing medicinal herbs over 40 hectares.

To process the rice, a rice processing mill was set up in Murakathai village that is managed and operated by the women themselves. The mill has a capacity of one ton per day. Aamon has appointed women as purchasing officers in the villages. They check the quality and procure the rice as per the order. They then send it to the mill, where it is processed and given to transporters who ferry it to the traders. The storage model is unique as well. The FPC does not have a warehouse for storage. After harvesting, the farmers store the produce in their houses till it is sold.

Now that the women are growing other products, more mills have been established like the one at Baksa village for turmeric production with a capacity of three quintals per day. The turmeric will be brought to the mill where it will be water-cleaned, air-dried, and pulverised, to be sold as turmeric powder. A production unit for making Sal leaf plates has been put up in Chandabila village. It can make 10,000 to 15,000 plates in an eight-hour shift. A centre for bio inoculants has also been set up where biofertilisers are produced and provided to the farmers at subsidised rates.

Aamon had a turnover of around Rs 3 million in 2021. It had developed its client base across India and gained significant credibility in the market. Aamon managed to tie up with respectable business partners across India. In 2021, the famous Balaji temple in Tirupati purchased aromatic rice from Aamon as well. In 2022, the farmer producer company got orders for black rice worth Rs 15 million.

The experience of Aamon has been unique to women. Nayagram block of Bengal's Jhargram district was caught in a cycle of Maoist violence and poverty. The cultivation of organic indigenous rice varieties has brought hope and prosperity. It delineated the pathways for SHGs to reach the next spiral of livelihood augmentation.

3.3 FPO Federations

With individual FPOs facing challenges due to smaller business volumes and size to attract capital, markets and other ecosystem services, higher-order collectivisation (that is collectivisation of collectivisation) in the form of federation/consortium was considered advantageous to address the challenge. An exemplary example of this is the success of SHG Federations in addressing the issues and challenges faced by the SHG movement in India and ensuring the sustainability of the SHGs. This institutional innovation in the form of the federation was able to overcome the inherent limitations of small and informal groups – the SHGs – such as limited resources, capabilities, bargaining power, connection with the market, etc. The benefits of this higher-order collectivisation include, a) economies of scale, b) reduced transaction costs, c) value-added services, d) increased member engagement, e) financial stability, and f) improved market linkages and channels. (Reddy et al, 2012).

In this context, SFAC undertook an initiative in 2014–15 to establish state-level federations of FPOs to develop umbrella support for member FPOs in the state. The primary objectives of setting up such institutions were to bring strong co-ordination among FPOs, enable policy dialogue with other actors, access to services and inputs, capacity building needs, avail credit support, value addition activities, and establish viable market linkages. Such federations help FPOs build networks across the country, enter into agreements with large market players, and deliver the value to the member FPOs and farmers associated with them. The business plan of the federations is to be aligned with the business plan of member FPOs (not covering all products and business areas but which are common and/or where gaps exist).

Eight such state-level federations have been supported and registered under SFAC, namely:

- Madhya Bharat Consortium of Farmer Producers Company Limited (MBCFPCL), Madhya Pradesh
- Maha Farmers Producer Company Limited (MahaFPC), Maharashtra

- Gujpro Agribusiness Consortium Producer Company Limited (GUJPRO), Gujarat
- Telangana Rythu Producer Company Limited (TRPCL), Telangana
- UPPRO Kisan Producer Company Limited (UPPRO), Uttar Pradesh
- All Rajasthan Small Farmer Agri Producer Company Limited, Rajasthan
- Bangia Farmer Producer Company Limited, West Bengal
- Tamil Nadu Consortium of Farmers Producer Company Limited, Tamil Nadu

In addition to the above, a few federations (commodity-wise or regional level) have also been formed and facilitated by different promoting agencies or self-promoted and are actively functioning. For example, Vasundhra Agri Horti Producer Company Limited (VAPCOL) promoted by BAIF which has member FPOs from Gujarat, Maharashtra, and Madhya Pradesh; M-Tomato FPO Federation by APMAS which has member FPOs from Chittoor District, Andhra Pradesh; Northern Farmers Mega FPO (self-promoted) which has member FPOs from Punjab and Haryana; Sahaja Aharam Producer Company Limited promoted by Centre for Sustainable Agriculture which has members from Telangana and Andhra Pradesh, etc.

These FPO federations offer a wide range of services to their FPO members, which include input aggregation of farm inputs, market intelligence and crop advisory, infrastructure creation and efficient supply chain, wholesale and retail operations of farm produce, market access programmes – contract farming, forward-backwards linkages, digitisation of FPOs, farm mechanisation, market connect, storage and warehousing, agri-produce marketing and branding, national and international trading, processing and value addition, among others. Table 3.2 below provides information on some of the federations working with FPOs.

Table 3.2: FPO Federations

Particulars	MBCFPCL	MahaFPC	GUJPRO	UPPRO	M-Tomato FPC	Northern Farmers Mega FPO
Year of Establishment	2014	2014	2014	2015	2019	2020
Number of FPO Members	137	600	30	41	14	43
Farmer's Outreach	175, 000	200, 000	45,000	36,488	10,148	12,000
Share Capital (Rs in million)	5.33	7.00	0.84	0.90	11.60	2.40
State covered	MP & Chhattisgarh	Maharashtra	Gujarat	Uttar Pradesh	Andhra Pradesh	Punjab & Haryana
Districts Covered	43	28	13	20	1 (14 mandals)	18
Turnover (Rs in million)	293	Rs 06 billion	320	21.30	11.30	43.5

3.4 Key Learnings and Conclusion

Though there is no assessment to show which approach to the formation of FPOs proved best, it is an established fact that member involvement is centric for the success of any type of collective. Each type of approach to promoting the FPOs has its own merits and demerits and no one approach is foolproof.

The government approached the process of promoting FPOs with the twin objective of achieving scale and increasing the incomes of the small farmers. The programmes evolved over the years, leading to a commodity-focused approach which concentrated on specific areas and value chain development. The positive aspect of this approach is simultaneous coverage of a vast geographical area, scope for leveraging benefits from other government programmes, resource availability, and the emergence of suitable policy initiatives prioritising the objectives of the government to support small farmers. Further, the success of the commodity focus approach is well established in milk and poultry both in terms of scale and increased incomes to the members. Therefore, the objectives of the government programmes are well-founded. However, the promoting agency's engagement to tackle procedural delays and the need to stick to quantitative targets often take priority.

The NGO approach, on the other hand, gives emphasis on long term handholding and engagement with the FPOs, which is beneficial for the steady growth of the FPO. Though the scope for scale, funding, and pace of growth remains limited, strong member-centric organisations are likely to get established.

The corporate foundations with a clear vision to benefit from the collective ensure benefit to the members through timely payments and enable development in specific geographical areas. The numbers promoted are limited to the corporates who wish to involve in FPO promotion. The foundations provide funding support as per the internal budgetary allocations.

The philanthropic foundations have a motive to help the community promote FPOs for the overall growth and development of farmer members. The pace and scale maybe limited in the model but it supports a member-centric entity to accrue benefits to the members.

The self-promoted collectives are established with an objective of self-help and, therefore, have a large scope for member engagement. The driving force behind this type of FPOs is leadership. Many such FPOs showed exemplary performance. With the active involvement of farmers themselves they invest and reap the benefits. The growth in numbers of such FPOs solely is dependent on the availability of enterprising leaders in large numbers.

The promotion of farmer's collectives has come a long way both as co-operatives and producer companies. Producer companies, in recent times, gained importance and picked up momentum with large scale support from the government. Promoting agencies play a crucial role in laying the foundation for the growth of the FPOs to become self-sustaining successful business enterprises. However, the FPOs need nurturing, training, capacity building and support to get connected to the larger ecosystem. Promoting agencies play the role of catalysts for this. Various approaches adopted by the promoting agencies, their experience and expertise in designing interventions for nurturing successful FPOs have a definite bearing in this process. Increasing focus on holistic value chain development and a cluster-based approach is a welcome change to the promotion of farmers' collectives.

Annexure 1: Categorisation of FPOs

Category	Govt Programmes					Sector-Focused Organisations	NGOs	Corporate Foundations	Philanthropic Organisations	Individual/ Group of Farmers
Approach	Initial Phase	Scale-oriented approach	Milestone-based approach	Value Chain approach	One District One Product (10K FPOs)	Commodity approach (Milk/Poultry)	As a constituent of a project	Mutual benefit	To help farmers	To meet felt needs
Implementing Agency	DPIP	SFAC/ NABARD	State projects / MACP/ RACP/ UPBSN	NRLM	SFAC/ NABARD/ NCDC	NDS/ NSDT	SRIJAN, CARD PRADAN etc.	RF, ACF, etc.	Harsha Trust, Manndeshi Foundation, etc.	Farmers
Objective	Economic well being	Increase the universe of market-oriented FPOs	Make FPOs business-oriented entities	Build value chain focused FPOs	Promote product-oriented clusters	Achieve scale in specific commodities	As part of project/ pilot	Establish FPOs that confirm to organisational philosophy	Community Development	Self-help
Promoting Agency	NGOs	RI/POPI	Resource Institutes	Resource Institutes	CBBO	Commodity specific entity	NGOs	Corporate or Hired agency	Trusts/ Foundations	Group of farmers
Legal form	FPC/ MACS	FPC/Coop	FPC	FPC/ Coop	FPC/Coop	FPC/Coop	FPO/Coop	FPC/Coop	FPC/Coop	FPC/Coop
Gender	Gender agnostic	Gender agnostic	Gender agnostic	Women	Gender agnostic	Gender agnostic	Gender agnostic	Gender agnostic	Gender agnostic	Gender agnostic
No. of members		300–1000	1000	300–500	300–500	>1000	300–500	300–500	300–500	>100

Category	Govt Programmes					Sector-Focused Organisations	NGOs	Corporate Foundations	Philanthropic Organisations	Individual/ Group of Farmers
Funding to FPO	Rs 2.50 million WC Fund	Rs 3.00 million for 3 years	Rs 2.50 million CIF	Varies from state to state	Rs 1.80 million for 3 years	Project funds	Project Funds/ Grants	CSR Funds	Grants	Initial investment/ Equity/ leveraging of Govt Schemes
Funding to PA per FPO	Rs 0.25 million / year-staff salary	Rs 1.08 million for 3 years	Activity wise fund allocation		Rs 2.50 million					
Equity Grant		Rs 1.00 million	-	Can leverage from Govt schemes	Rs 1.50 million					
Credit Guarantee		Up to 85% on collateral free loan	-		Up to 85% on collateral free loan					

Chapter 4

Ecosystem Development: Strengthening of FPOs

Sankar Datta
Emmanuel Murray
Gouri Krishna
Ranchitha Sivaram

Summary

The objective of establishing sustainable business enterprises of farmers requires building both internal and external environment that supports its growth. Members' loyalty, cohesiveness, equity, and principles of co-operation support in laying the strong institutional foundation. The external factors which include an enabling policy environment, handholding support to build capacities of the stakeholders, and access to credit and markets contribute immensely to building robust farmers' collectives. This chapter examines these four components of the FPO ecosystem and the challenges faced by the FPOs in accessing the opportunities and suggestions on the way forward.

Enabling policy – The formulation of policies ever since the concept of FPOs took prominence mainly focused on promotional aspects of these collectives. Promoting more FPOs has taken priority. However, the recent policy guidelines for promoting 10,000 FPOs under the Central Sector Scheme (CSS) emphasised the commodity value chain-based approach to strengthen produce clusters across the country. The matching equity grant and the credit guarantee schemes launched in 2013 were further strengthened to make them easily accessible. The

need for augmenting post-harvest infrastructure has gained importance with the allocation of rupees one trillion to the Agri infrastructure fund for creating rural infrastructure. Capacity building of FPO stakeholders also become pivotal under CSS and several government institutions were mandated to engage in capacity enhancement of various stakeholders of FPOs. Section 4.2 examines various policy enablers supporting the different needs of the FPOs.

Capacity building – It is an agreed fact that managing a Farmer Producer Organisation needs a specific set of skills to run its business operations, in addition to member mobilisation and addressing the statutory compliances. Several initiatives were taken up both by the government and the private entities to build the capacities of the FPO functionaries. Training programmes are offered by a variety of organisations, including management institutes, universities, ICAR affiliated organisations, specialised institutes set up for FPO capacity building, government bodies, promoting agencies, and consulting organisations. The duration of the programmes ranges from one to two days to a few months, depending on the target audience and the course content. Section 4.3 portrays the current scenario of capacity building efforts for Farmer Producer Organisations in the country.

Access to the capital – FPOs need capital for institution building, business operations and setting up of infrastructure for processing, storage, transport, and marketing facilities. Credit plays a vital role to catapult FPOs to the next stage of growth. The credit providers for FPOs continue to remain small despite the large scale thrust for FPO promotion in recent years and with nearly 15,000 FPOs formed and growing. The key constraints faced by the lending institutes are the lack of institutional capacity and commercial orientation of both the promoting agency and the FPOs, and the absence of a coherent business plan with an outcome-oriented approach. The high risk and absence of standardised rating tools to assess the capacity of the FPOs deter the financial institutes from coming forward and lending to the nascent FPOs. FPOs, therefore, face acute problems in issues of understanding business and markets, market linkages, and availing institutional finance. The guarantee products are made available by central and state governments up to 50–85% guarantee for the credit availed by FPOs from eligible financial institutes and is a credible source of funding for the FPOs. Many FPOs have demonstrated growth post accessing the credit. Section 4.4 discusses the current status of credit availability by the FPOs, types of credit requirements and the aspects of access, and challenges faced by the FPOs.

Access to markets – One of the important ecosystem components that contribute to the growth of FPO is the market. To overcome the disadvantage of small quantities produced by the smallholder farmers and associated challenges of economies of scale, FPOs are considered a suitable institutional form that can benefit individual farmers by dealing in scale. However, FPOs face constraints in accessing markets in spite of the advantage of being representatives of a large number of farmers and large volumes of the produce to market. There are several market opportunities available for FPOs. While a few of the FPOs have successfully explored the available markets, many of them face challenges. Awareness and knowledge of markets, capacity to understand the business processes, the inadequate basic infrastructure needed for aggregation, value addition, the locational disadvantage of lucrative markets, and lack of access to capital hamper the FPOs in identifying and dealing with the right markets and achieving economies of scale. Section 4.5 discusses the status of the existing market channels available for FPOs, challenges faced in accessing these markets, and the way forward.

Other key players supporting FPO ecosystem – The initiatives taken by the central and state governments, apex financial institutions in supporting the FPOs have attracted more private players, and domestic and international organisations to work with FPOs in augmenting their promotion, management, and governance. These ecosystem players have adopted a multipronged approach to nurture FPOs to their fullest potential in partnership with key stakeholders. Their support extends towards the development of digital solutions for database management, financial assistance, and capacitating producer members. These organisations draw insights from global best practices in coherence with sustainable development goals. With a huge opportunity provided in terms of value addition, end-to-end management, digital marketing, and input and output management, these organisations are actively engaged in the proliferation of the FPO ecosystems, demonstrating as key enablers in achieving inclusive agricultural growth. Section 4.6 discusses those ecosystem players who are providing support to the FPOs in promotion, capacity enhancement, business operations, and contributing to their overall growth.

4.1 Supporting Ecosystem for FPO Growth

There are approximately 15,000 FPOs in the country and plans to add another 10,000 has been announced by the government. While some of the FPOs are operating successfully, the heterogeneity in the functioning of FPOs resulted in limited success as the development of FPOs is dependent on a favourable ecosystem for growth. The ecosystem required for FPOs depends on the nature of services it offers to the members, integration with the market, nature of linkages and relations, etc.

Organising farmers into collectives reduces the cost of production by procuring all necessary inputs in bulk at wholesale rates, aggregation and bulk transport of produce, thereby reducing marketing cost and, therefore, increasing income of the farmer members, attracting traders through volumes by aggregation of produce and taking advantage of economies of scale, access to modern technologies, facilitation of capacity building, extension and training on production technologies, and ensuring traceability of agriculture produce.

The critical ecosystem services help the FPOs to offer wide range of services to their members. Unless these services are provided by a producer organisation to its members, it cannot influence the members from supplying the surplus produce to the FPO. As a collective, the FPO can take up other services, such as facilitating linkage with the banks and line departments for ensuring infrastructure access for the business. However, FPOs face complex challenges and have little say in influencing established input and output markets and these nascent institutions face significant capital and capacity constraints (Prasad & Dutta, 2021).[18]

In order to build a sustainable FPO, a favourable ecosystem is needed besides certain policy reforms. Some of the critical components of the

18 Fields of Change: Managerial Insights on FPOs in India

ecosystem include: (a) Policy Environment for risk mitigation, licensing, agri-logistics, infrastructure, etc. (b) Capacity enhancement initiatives for building the capacity and capabilities of stakeholders engaged in the FPO promotion and operations (c) Access to credit for consumption/production/post-production (d) Access to markets for retail marketing, spot markets, future's trading linkages with Agri corporates, exporters, direct marketing, etc. (National Paper-PLP 2019–20)

4.2 Enabling Policy

A conducive policy environment is helpful for the growth of any industry, more so in the case of FPOs, where the entrepreneurship and building of sustainable business enterprises of farmers is formulated as a major objective. The government policies mostly focus on the promotion of FPOs. A serious consideration in supporting the financial and business operations of the FPOs through appropriate policies is needed. Recent policies of the government made an attempt in this direction. Some of the policies that are helpful to FPOs are discussed below.

4.2.1 Central Sector Scheme for the Formation of 10,000 FPOs

The Central Sector Scheme (CSS) aims to achieve inclusive sustainable transformation through the creation of a holistic supportive ecosystem for the formation of 10,000 FPOs, their nurturing, handholding, and capacity building over five years. The scheme allows FPOs to register as co-operatives and producer companies as preferred forms. The guidelines under the scheme provide the following ecosystem support to the FPOs:

- **Institutional handholding support –** The Implementing Agencies (IAs) through Cluster-Based Business Organisations (CBBOs) is mandated to support the FPOs formation, incubation, and establishment of sustainable entities.
- **FPO management cost –** FPOs will be provided financial assistance up to Rs 1.80 million per FPO for a period of three years. This covers the salary of the CEO and registration FPO office establishment cost.

- **Access to equity grant –** A provision has been made for matching equity grant up to Rs 2,000 per farmer member of FPO, with a limit of Rs 1.50 million per FPO. Equity Grant is aimed at strengthening the financial base of the FPO, enabling it to get credit from financial institutions.
- **Credit guarantee cover –** Facility to credit guarantee is available under the scheme for FPOs for availing a credit guarantee facility up to Rs 20 million project loans per FPO from the eligible lending institution to ensure institutional credit accessibility to FPOs. The Credit guarantee available for the FPOs under other schemes is given in table 4.2.
- **Capacity building –** There are well-defined training structures in the scheme and the institutions like Bankers Institute of Rural Development (BIRD), Lucknow and Laxmanrao Inamdar National Academy for Co-operative Research & Development (LINAC), Gurugram have been chosen as the lead training institutes for capacity development and training of FPOs. Training and skill development modules have been developed to further strengthen the FPOs.

A detailed account of the CSS and the challenges faced by the CBBOs in accessing the facilities provided under the scheme is included in Chapter 2.

4.2.2 Infrastructure Support

a) **National Agriculture Infrastructure Fund (AIF)**

In 2020, the central government announced Rs 1 trillion Agriculture Infrastructure Fund for supporting the development of farm gate infrastructure for farmers. The funding is available to individual farmers, FPOs and their federations, PACS, marketing co-operative societies and others. As of Dec 2021, a loan amounting to Rs 61, 820 million has been sanctioned for 8630 projects across the country[19].

19 https://pib.gov.in/PressReleasePage.aspx?PRID=1783870#:~:text=Agriculture%20Infrastructure%20Fund%20aims%20at,infrastructure%20and%20community%20farming%20assets.

Data on the number of FPOs who availed of the scheme is not available.
A detailed account of the AIF is covered in Chapter 2.

b) **Agricultural Marketing Infrastructure (AMI)**
In order to promote scientific storage facilities in rural areas of the country, the government is already implementing Agricultural Marketing Infrastructure (AMI) which is a sub-scheme under the Integrated Scheme for Agricultural Marketing (ISAM). AMI scheme is a demand-driven with back-ended credit-linked subsidy scheme in which the rate of subsidy provided is @ 25% and 33.33% based on the category of eligible beneficiaries. Assistance under the sub-scheme is available for registered Farmer Produce Organisations (FPOs).

4.2.3 Marketing Platforms

The Government of India launched the National Agriculture Market (e-NAM) scheme in 2016 with the objective of creating an online transparent competitive bidding system to facilitate farmers with remunerative prices for their produce. So far, 1,000 mandis of 18 states and three UTs have been integrated with the e-NAM platform. E-Kisan Mandis is another such initiative by NAFED. The details of e-trading platforms are given in Section 4.5.5.

4.2.4 Tax Exemption

In 2018, the Indian government exempted FPOs registered as companies from taxation on income derived from agricultural activities for five years.

4.3 Capacity Building

4.3.1 Why Do We Need Capacity Building of FPOs?

Agriculture continues to remain a very substantial part of the Indian economy even though its contribution to the Gross Domestic Product has been reducing over a period of time. Though employment opportunities generated in other sectors, especially services, has been growing, livelihoods of close to 50% of the Indian population, who are segregated and are dispersed into multiple small land-holdings, continue to depend on agriculture. The government recognised that the collectivisation of producers, especially small and marginal farmers, into producer organisations has emerged as one of the most effective pathways, not only to address the many challenges of agriculture but also to improve access to investments, technology, and inputs and markets.[20] The Government of India approved and launched a Central Sector Scheme of "Formation and Promotion of 10,000 Farmer Producer Organisations (FPOs)" to form and promote 10,000 new FPOs. Recognising that the running of these Farmer Producer Organisations will involve significant commercial operations in addition to the mobilisation of the farmer-producers in a large number, the policy document laid significant emphasis on building the capacity of the functionaries and Board of Governors of these organisations, who were often first-generation entrepreneurs, challenged by their locational disadvantage of not being in the commercial hubs.

However, when this large scheme was declared at the end of February 2020, the nation faced a serious challenge of the coronavirus pandemic and a nationwide lockdown was announced in March 2020. Though agriculture was exempted from these lockdown protocols, many of the capacity building efforts got seriously impacted. Though several initiatives moved towards online methodologies, many farmers, especially in the poorer states, could not access them due to the widening digital divide.

Despite such challenges, the capacity building efforts in the country has grown fairly well in the last two years, from about 25–30 programmes in 2019–20 to approximately over 150 in the two years.

20 Preamble of the National Policy For The Promotion Of Farmer Producer Organisations issued by the Dept. Of Agriculture And Cooperation; Ministry Of Agriculture Govt. Of India (2013); reiterated in the Message from the Minister of Agriculture & Farmers' Welfare, Rural Development and Panchayati Raj, in the document on Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs) Operational Guidelines (2020)

4.3.2 Types of Capacity Building Efforts in India (based on institutes offering)

Efforts to build the capacities of the producer collectives is not new in India. In 1945 the Saraiya Committee on Co-operative Planning appointed by the Government of India recommended establishing national and state-level institutions to strengthen the capacity of the communities to manage their co-operatives. Under this initiative, the Government of India established a Co-operative Training College in 1947 at Pune when the late Shri Vaikunth Mehta was the Minister for Finance, Co-operation and Village Industries. The Ministry later appointed a committee chaired by Late Prof. D.R. Gadgil to assess the training needs of the co-operative sector, which recommended the setting up of a National Institute which would undertake the training of senior personnel in the co-operative institutions/departments, conduct fundamental/applied research and provide consultancy services, organise courses in business management for senior personnel in co-operative business organisations, and train the youth on various facets of management. And thus, the Co-operative Training College, Pune was merged with the Central Institute of Management for Consumer's Business (CIMCOB) in Bombay in 1964 and a National Institute of Co-operative Management was established. This was later was renamed Vaikunth Mehta National Institute of Co-operative Management (VAMNICOM), Pune, in 1967.

In addition to this effort by these specialised institutions created for building the capacities of the producer collectives, the capacity building efforts in the country can be seen in seven different categories.

1. Management institutions
2. Universities
3. ICAR and affiliated institutions
4. Specialised institutions created to support FPOs
5. Government institutions and departments
6. Promoting agencies
7. Consulting agencies

1. Management institutions

The need for training professionals to manage the co-operatives was recognised way back in 1947 when the Co-operative Training College was established in Pune. This was later transformed into the Vaikunth Mehta National Institute of Co-operative Management, which specifically trained people who managed co-operatives, and members of their boards.

But recognising that Indian agriculture needed more, in 1979, Dr Varghese Kurien, who had spent his life organising the dairy producers of the country into their co-operatives, set up the Institute of Rural Management, Anand, (IRMA), for creating "better Kurien's", as told by Dr Kurien himself, by carefully selecting and training them. IRMA has continued to nurture and develop a cadre of committed and dedicated rural management professionals. And in line with the thinking of its founder, IRMA continues to provide capacity building inputs for the management of the producer collectives.[21]

India's place in the sun would come from the partnership between wisdom of its rural people and skill of its professionals

– Verghese-Kurien

In 1994, a group of educators in management science established the Institute of Rural Management (IIRM), Jaipur. Unlike IRMA, which was envisioned to build the management capacities of producer-owned organisations, IIRM focused on rural management. Part of this understanding could be used for capacity building of producer organisations, but equally applicable for any other entity engaged in

21 Turning Students To Rural Managers, IRMA Is Continuing Dr Varghese Kurien's Legacy, The Logical Indians 20 Oct 2019 11:30 AM (**https://thelogicalindian.com/story-feed/awareness/irma-anand-institute/**)

rural India. Later, it was renamed the Faculty of Management Studies – Institute of Rural Management (FMS–IRM) and offers two programmes: Post Graduate Diploma in Management (PGDM); and Post Graduate Diploma in Management – Rural Management (PGDM–RM). Though some of its alumni worked with FPOs, it is not specifically designed for FPO capacity building.

Several other institutions have emerged in different parts of India, such as BIRD, MANAGE, IIMB, and NIAM, which have started offering programmes to strengthen the management of FPOs. The Ramakrishna Mission Vivekananda Educational & Research Institute (RKMVERI) and Faculty Centre For Integrated Rural Development and Management (FC–IRDM) has started offering several short duration courses for local youth, who could provide professional services to FPOs.

The Xavier University, Bhubaneshwar also set up a Xavier School of Rural Management (XSRM–XUB) which offers a PG Programme in Rural Management, which, like FMS–IRM, is nonchalant about the form of the organisation. But many of its programmes provide basic management inputs to its students, which can be used to strengthen the management of organisations working in rural areas, including the FPOs.

Mahatma Phule Krishi Vidyapeeth, (Deemed-to-be-University) Rahuri, Kolhapur, offers a specialised FPO Management course. Similarly, Dr D.Y. Patil Vidyapeeth (Deemed-to-be-University) Pune, through its B-School, offers PG Programmes, to build the capacity of young students to manage businesses with Indian values.

2. Universities

In addition to the Xavier University Bhubaneshwar and Mahatma Phule Krishi Vidyapeeth, several other universities have started offering programmes that are relevant for the capacity building of the FPOs. Though most of them are not generic management programmes for FPOs, they provide specialised inputs relevant to some of the FPOs.

Included among these Universities is GB Pant University of Agriculture and Technology (GBPUA&T). Apart from online Certificate Courses on different aspects of management of Producer Collectives, it provides specialised short-duration training in crop planning and plant protection, among others. As these programmes do not involve a long-time investment, many FPO leaders prefer these programmes.

Professor Jayashankar Telangana State Agricultural University (PJTSAU), has also started offering various programmes, including ones for millets and red gram, for FPO representatives and managers. They have also organised several Awareness Camps for Farmer Producer Organisations in collaboration with various Krishi Vigyan Kendras (KVKs). Similar programmes have also been offered by Gandhi Krishi Vigyana Kendra (GKVK), affiliated with the University of Agricultural Sciences, Dharwad and Bengaluru, and some with the University of Mysore.

Apart from conducting several short-duration training programmes useful for FPOs, the Punjab Agricultural University (PAU), Ludhiana, also supports FPOs in setting up micro-food-processing units. In addition to providing regular handholding support to these FPOs, it also facilitates linking with the PM Formalisation of Micro Food Processing Enterprises Scheme (PM FME Scheme), helping them canalise various subsidies under the scheme.

Jawaharlal Nehru Krishi Viswa Vidyalaya (JNKVV), Jabalpur, Madhya Pradesh has also offered a Five-Day Collaborative Virtual Training Programme on "Empowerment of FPOs (Farmer Producer Organisation) by Agribusiness Management". The business Planning and Development Unit in JNKVV has been organising a training programme on business opportunities for FPOs in the Agriculture sector.

3. ICAR and Affiliated Institutions

The Indian Council of Agricultural Research (ICAR) and affiliated institutions, such as Central Inland Fisheries Research Institute, Central Research Institute for Dryland Agriculture, ICAR-Central Institute for Subtropical Horticulture, ICAR-Central Institute of Temperate Horticulture and various KVKs have started offering training programmes suitable for enhancing the performance of Farmer Producer Organisations.

Most of these programmes have focused on productivity enhancement of the commodities handled by the members of the FPOs. Institutions like Central Food Technology Research Institution (CFTRI), Mysore, offers specific programmes in post-harvest value addition.

4. Specialised Institutions Created to Support FPOs

Several institutions have also been set up to support FPOs in recent years. These include institutions like Centre of Excellence for Farmers Producers Organisations. The Government of Karnataka, in its budget for the year 2016–17, committed to the establishment of CoE-FPO for the overall development of Farmers Producer Organisations (FPO) in Karnataka, promoted by the Karnataka State Department of Horticulture. CoE-FPO is a comprehensive service mechanism with a straightforward and unique philosophy, linking multiple departments and institutions of the government, which can be tapped by the Farmer Producer Organisations.

CoE-FPO offers training and orientation workshops to CEOs of FPOs on FPO promotion, legal compliances, business plan development, hands-on training on GST, ROC filing and commodity trading and exploring the possibility of retail vegetable trading by FPOs. Apart from offering various courses, CoE-FPO has also initiated various online courses in the last two years.

Several institutions, such as The International Association of Professions Career College, Grameen Academy, and Grameen Vikas Trust have also started offering training programmes for members of the Board of FPOs and their chief functionaries. Grameen Academy offers courses on Agroecology for FPOs, Organic Farming, Seed Production, and Marketing among others. The Grameen Vikas Trust offers many similar programmes, but often online to reach a national level audience. Their special focus area has been programmes like the watershed programme, WADI, sustainable agriculture, and training methodologies for farmers.

In other recent initiatives for capacity building of FPOs, platforms like the FPO Junction[22] have been promoted and developed jointly by the National Bank for Agriculture and Rural Development (NABARD), Bankers Institute of Rural Development (BIRD), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is an online knowledge portal aimed at building the capacities of Farmer Producer Organisations, specifically the key functionaries, development professionals working with FPOs, and other relevant stakeholders.

22 https://www.fpojunction.com/

This online portal is a repository of knowledge resources and information related to FPOs, and provides access to online capacity building programmes and resources for Master Trainers for capacity building of FPOs functionaries.

FPO Junction has started an online capacity building programme and Massive Open Online Courses (MOOC). These courses seek to build a perspective of key functionaries of FPCs on the concept and governance of their FPCs. It also assists in building their capacities related to the planning and management of agri-business activities.

5. Government Institutions and Departments

Having launched such a large programme to promote a large number of Farmer Producer Organisations across the country in a specific time-bound manner, and recognising the need for their capacity building, it has also mandated various arms of the government to partake in this effort.

The Small Farmers Agribusiness Consortium (SFAC) was set up in 1994 by the Ministry of Agriculture, Government of India. The SFAC was built up to increase the income of small and marginal farmers through the development of agribusiness. Under SFAC, the scheme for promotion of the Farmer Producer Organisation (FPO) was proposed to promote and support farmer producer organisations by providing sustainable finance. SFAC plays a pivotal role in the implementation of the scheme, including necessary capacity building initiatives.

SFAC has offered and supported, offering a large number of capacity building programmes in several states of India. One of its most popular initiatives is the Advance training of CEOs and BoDs, conducted by SFAC in collaboration with the National Institute of Rural Development and Panchayati Raj (NIRDPR), Bankers Institute of Rural Development (BIRD), and several State Institute of Rural Development (SIRDs). Though no consolidated data is available, several thousand farmer representatives and managers of the Farmer Producer Organisations have attended these programmes.

Apart from SFAC, the other institution mandated to facilitate the implementation of this programme is NABARD. NABARD, along with various training institutions affiliated with it, such as the College of

Agricultural Banking, Pune, Bankers Institute of Rural Development (BIRD), Indian Institute of Banking Management, IIBM, Guwahati, and National Institute of Rural Banking (NIRB), Bangalore has offered several programmes for capacity building of FPOs. It has also sponsored programmes through the National Bank Staff College Lucknow. NABARD has also supported FPO training programmes through third sector institutions such as Ramakrishna Mission Samaj Sevak Sikshan Mandir and J V R R Memorial Trust. It trained representatives/functionaries of FPOs through many of its subsidiaries, such as NABKISAN Finance Limited, NABSAMRUDDHI Finance Limited, NABFINS Limited, NABFOUNDATION, and NABARD Consultancy Services Limited, based on the specific fit of the need of the capacity building of the FPO and the competencies available with the sponsoring institution.

The Ministry of Agriculture & Farmers Welfare, Government of India, in association with NABARD, has launched a unique programme to take better methods of farming to each and every farmer across the country. This programme aims to tap the expertise available in the large pool of Agriculture graduates to set up AgriClinic or AgriBusiness Centre (ACBCs)[23] and offer professional extension services to innumerable farmers.

The other government agency which has started playing a significant role in the capacity building of the FPOs is the National Rural Livelihood Mission (NRLM) and several state missions affiliated with them. Though the main focus of these institutions is individual households and their Self-Help Groups as they are often overlapping if not co-terminus, these initiatives often end up strengthening the capacities of the FPOs.

In many states, especially in the four large southern states, the Department of Agriculture, Department of Horticulture, and the Department of Fisheries have also started providing capacity building inputs for the member-farmers of FPOs. These often have been in collaboration with the Universities and KVKs mentioned above. Therefore, there is a chance of double-counting these programmes. These being part of large bureaucratic systems are often not available

23 http://www.agriclinics.net/TPOngoing.aspx

to individual FPOs or their members. These have been mostly organised with the initiatives of the Promoting Agencies (PAs).

6. Promoting Agencies

Most common capacity building inputs have been received by FPOs from the Promoting Agencies (PA) who have provided handholding support. Many civil society organisations today are engaged in promoting a large number of Farmer Producer Organisations in different parts of the country, APMAS, ASA, DSC, PRADAN, VRUTTI being some of them. These PAs as a part of the mobilisation and promotion process itself provide a wide variety of capacity building inputs. Their capacity building efforts continue even after the formal promotion of the FPO, which is commonly known as the Hand-Holding-Support. Though these inputs often come in the form of handling specific problem solving, they aid in building the capacity of the organisation, if provided well.

Some of the corporate houses have also started providing similar support to FPOs, often tagged by different names. Reliance Foundation, Walmart Foundation, Corteva Agriscience, J-PAL CSR (South Asia), Lupin Foundation, CSR arm of Ambuja Cement Ltd, PI Industries: An Agri-sciences Company, Tech Mahindra, and Hindustan Unilever Foundation (HUF) through their partner NGOs, have started some of these initiatives through which capacity building inputs are being extended to FPOs. These often include short duration training workshops and field visits organised by various promoting agencies. The FPO functionaries prefer more of these short duration programmes for knowledge enhancement compared to the long duration training programmes.

7. Consulting Agencies

There are several consulting firms, especially those specialising in providing services to civil society organisations, such as the Centre for Indian Knowledge Systems (CIKS), India Foundation for Humanistic Development (IFHD), AgNext Technologies, M2i Consulting Pvt. Ltd., and Madurai Agribusiness Incubation Forum (MABIF), which have started offering various capacity building inputs for FPOs.

The consulting arm of FICCI, along with the National Association for Farmer Producer Organisations (NAFPO), has also started providing some capacity building inputs for the emerging FPOs.

4.3.3 Types of Capacity Building Programmes in India (based on duration)

1. **Short duration (less than a week) training programmes**: Specific Subject Matter, such as weed control, millet, fisheries, Specific Skill Training especially in accounting and finance.
2. **Field visits:** Visit other FPOs for both exposure and motivation. Sometimes also involves peer-to-peer skill development.
3. **Handholding and/or consulting services:** Specific problem-solving capacity building inputs.
4. **Medium duration (3 weeks to 6 months) programmes**: These are usually more comprehensive multi-topic programmes. Programmes such as Management Development Courses (involving accounts, finance, marketing and so on), Eco-sustainable Agriculture (involving organic seed production, sustainable farm planning, non-pesticide crop management and so on).
5. **Long duration (1–2 years) education programmes:** These are often similar to mainstream management courses, with a special focus on rural management, which often is highly applicable for FPOs.

The list of training programmes is appended at the end of this section.

4.3.4 Challenges Faced in Capacity Building

Despite having such a plethora of capacity building programmes for Farmer Producer Organisations, in different parts of the country, by different capacity building institutions, there are certain limitations faced by the FPOs, FPCs as well as the offering institutes.

1. Digital Divide

Coincidentally, the government's initiative to promote a large number of Farmer Producer Organisations corresponded with the corona virus pandemic across the world, and related lockdown in India. Although movement of agricultural commodities was exempted from most restrictions, the capacity building activities did get affected. Most FPO training, including their hand-holding support, which was earlier provided on the field, moved to online platforms.

This had three different kinds of implications for the capacity building initiatives:

a) The gap between the actual input provider and those who transcribed them into digital content led to a loss in the quality of training inputs.
b) Only a few of the FPOs and their members could access online training.
c) Though at a macro-level use of IT reduces the cost, for individual users the costs of accessing most of these online training processes were prohibitive.

2. Concurrentness of the Content

Agriculture has become a very dynamic field in recent decades owing to the rapid changes in production technologies and markets. In the existing agriculture scenario, building the capacities of the Farmer Producer Organisations that can deal with globalised competitive markets in a time-bound manner has also posed several challenges. This has become more challenging in the face of shifting to online capacity building programmes. Getting the right kinds of faculty resources, who understand the dynamics of rural reality, the changing scenarios of agriculture and online medium, and their uses for training purposes is becoming more difficult to obtain, especially in the current state of the pandemic, which is not yet fully eradicated.

However, within these challenges, the nation needs to build the capacity of these new institutions before the resources invested in promoting them get locked into bad investments.

4.3.5 Conclusion

From this review of various capacity building efforts directed towards Farmer Producer Organisations in the wake of the new initiative of the Government of India to promote 10,000 FPOs in the country, a large number of training initiatives have been started in India. These span around specialised institutions offering programmes applicable for FPOs, various Universities which have started offering courses relevant to FPOs in some specific areas, ICAR and affiliated institutions offering specialised programmes, especially for farmer-members of these FPOs, and specialised institutions created to support FPOs, as well as promoting agencies (PA) and some consulting agencies providing handholding support.

This, however, does not underplay the role being played by various arms of the government. Many agencies of the government, starting from SFAC, NABARD, NIRDPR, NRLM, and SRLMs are organising various programmes for the members, members of the boards and other functionaries of FPOs. Considering the diversity of FPOs, these programmes are not enough for the FPO Functionaries, most of whom are first-generation entrepreneurs, in a very dynamic and rapidly changing agri-business environment.

We have done a lot. But we need to do more.

Some Training Programmes for FPOs in India

AgNext	AgNext, India's leading agri-tech company, collaborated with NAFED to organise a virtual training and awareness programme for Maharashtra's big FPOs (Farmer Producer Organisations) on pulses' quality assessment.
APMAS	Handholding support to FPOs promoted by them, including various kinds of capacity building inputs for their leadership and operating managers.
ASA	Handholding support to FPOs promoted by them, including various kinds of capacity building inputs for their leadership and operating managers.
BIRD	Bankers Institute of Rural Development (BIRD) Programme on Financing opportunities in WADI TV, PIAs, WADI Management Committees.
	Capacity Building Programme on CEOs/BoDs for FPOs

	Programme on Accounting, Reporting and compliance for FPOs.
	Linking FPOs with commodity exchanges and e-NAM issues and challenges.
BIRD-NABARD-GIZ	Open Online Course for FPO CEOs' capacity-building. The course consists of six modules as follows:
	Open Online Course Module 1: Concept and Governance of FPOs
	Open Online Course Module 2: FPO Statutory Provisions and Forms of Legal Compliance
	Open Online Course Module 3: Market, Marketing and Market Linkages for FPCs
	Open Online Course Module 4: Resource Planning for Business Development of FPCs
	Open Online Course Module 5: Access to Finance
	Module 6: Business Development Planning
CIKS	Centre for Indian Knowledge Systems (CIKS), a registered independent trust working in the areas of organic agriculture, biodiversity conservation, and Vrkshayurveda (the ancient Indian plant science).
COE-FPO	COE-FPO in collaboration with GIZ & Skill Green trained 21 BODs and COEs on Legal Compliances and Business Plan Development for 7 new FPOs promoted by Department of Horticulture, Government of Karnataka at College of Horticulture, Bengaluru on 5th November, 2019.
	COE-FPO in collaboration with GIZ & Skill Green trained 51 staff of Resource Institutes empanelled by Watershed Department, Government of Karnataka on Orientation workshop on Promotion of FPOs in Karnataka at College of Horticulture.

	COE-FPO accomplished Orientation programme to District Project Directors of ATMA Scheme, Department of Agriculture, Government of Karnataka at College of Horticulture.
	One day Workshop on "Hands on Training on GST, ROC Filing and Commodity Trading" to the Bengaluru Division CEOs of FPOs.
	Workshop on exploring the possibility of retail vegetable trading by FPOs at COH.
Dept. of Agriculture	Brainstorming workshop on business opportunities for FPOs promoted Department of Agriculture under NFSM Scheme at JDA Office, Kalaburagi.
Dept. of Horticulture	Visit to Uluvayogi FPO-Amargol, Dharwad and meeting with CEO and BODs on business plan development at Uluvayogi FPO Office.
	Exposure cum training programme on FPO promotion, stakeholder relations and FPOs Business in collaboration with Dept of Horticulture, GIZ, Yuva Mitra at Yuva Mitra, Sinnar, Nashik.
	Workshop on Legal Compliances, Roles & Responsibilities and Value Chain to CEOs, BODs of FPOs promoted Sericulture Department and Department Officials of Karnataka, COH.
	Workshop on Legal Compliances, Roles & Responsibilities and Value Chain to CEOs and BODs of Horticulture Department promoted FPOs of Chitradurga, Hassan, Chikmangalur Districtat DDH Office, Chitradurga.
	Workshop on Legal Compliances, Roles & Responsibilities and Value Chain to CEOs and BODs of Horticulture Department promoted FPOs of Bengaluru Rural and Chikkaballapur Districts at DDH Office.

	Workshop on Legal Compliances, Roles & Responsibilities and Value Chain to CEO's and BODs of Horticulture Department promoted FPOs at DDH Office, Mysuru.
Dept of Horticulture + MYRADA	Workshop on Business Planning to CEOs and BODs of Horticulture Dept. Promoted New FPOs in collaboration with Hort Dept & MYCAPS (MYRADA).
DSC	Training of Trainers (TOT) Workshop on Capacity Building of Board of Directors of Farmer Producer Organisations (FPOs) June 6 – 8, 2019, at DSC Bhopal, Ahmedabad.
Exhibition	Educational Exhibit on FPOs during "National Horticulture Fair".
FICCI	FICCI has launched a Programme of Empowering FPOs: Sharpening the Saw.
	Preparing FPOs as an effective tool towards Aatmanirabhar Bharat.
	https://coefpo.org/index.html
	Orientation and Strengthening of FPOs – BoDs and Sericulture Dept Officials.
FICCI + NAFPO	FICCI jointly with NAFPO is organising a two-day certified online Training Programme for Agri & Food Industry on "Farmer producer organisations (FPOs) Ecosystem".
	Master Training Programme Design for Capacity-Building of Cluster-Based Business Organisations (CBBOs) under the Central Sector Scheme (CSS) 10,000 Farmer Producer Organisations (FPOs).
	Capacity Building of Board of Directors of FPOs – NAFPO.

FPO Junction	The FPO Junction is an online knowledge portal aimed at building the capacities of Farmer Producer Organisations, specifically the key functionaries, development professionals working with FPOs and other relevant stakeholders. The digital platform has been developed jointly by National Bank for Agriculture and Rural Development (NABARD), Bankers Institute of Rural Development (BIRD) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. https://www.fpojunction.com
	Capacity Building of Accountants of FPOs
	Capacity Building of Board of Directors (BODs) of FPOs
	Capacity Building of Chief Executive Officers (CEOs) of FPOs
	Basic Capacity Building Programme for Implementing Agencies, State Government Officials and other Stakeholders relating to FPOs.
GBPUA&T	Online Certificate Courses
GICAFS-APMAS	Green Innovation Centres for the Agriculture and Food Sector, an initiative of APMAS provides training in sustainable farming practices to FPOs.
	Course
Grameen Academy	Advanced Course offered by Grameen Academy on Managing Farmer Producer Organisations.
GVT	Gramin Vikas Trust New Delhi (NGO), in collaboration with NABARD, Ramban: One-day Training Programme for FPOs held at Sangaldan.
IAP-CC	The International Association of Professions Career College (also known as IAP Career College)
	Organic Farmer Certificate Course Online

ICAR	Innovative Training Programme on Contract Farming and Linkages of FPOs / FPCs ... Management of the culture-based fisheries system in their FPOs.
	The ICAR-Indian Institute of Millets Research, Hyderabad organised a Virtual Training Programme for the Farmer Producer Organisations on “Operational and Financial Management of the Producer Companies”.
	ICAR-Central Inland Fisheries Research Institute, Barrackpore.
	Innovative Training Programme on Contract Farming and Linkages of FPOs / FPCs ... Management of the culture-based fisheries system in their FPOs.
IFHD	India Foundation for Humanistic Development (IFHD) came into being as a response to this situation. It creates Catalytic Platforms. Platforms that bring together different resources and stakeholders like FPOs, Technical experts, Funders, etc. to enable transformation on the ground.
IIMB	Short Course on Co-operatives and Producer Companies: This course is about co-operatives, also known as Farmer Producer Organisations (FPOs). It discusses what a co-operative is, how it helps small producers, and most important, how to set up sustainable, profitable and vibrant FPOs. It is based on empirical evidence from the field. It also discusses the basic principles of the International Co-operative Alliance (ICA).
IIRM	Offers a full two-year post-graduate management course for management principles applicable for producer collectives. Though these are not specifically for FPOs, these courses are applicable for enhancing the performance of FPOs as well.

IRMA	Offers a full two-year post-graduate management course for management principles applicable for producer collectives. Though these are not specifically for FPOs, these courses are applicable for enhancing the performance of FPOs as well.
KAPPEC, DGFT, APEDA	Workshop on Export Promotion and Export Facilitation for Chief Executive Officers of FPO's Promoted by Horticulture Department in collaboration with KAPPEC, DGFT, APEDA and Horticulture Department.
KVK	Training programme was conducted to the CEOs and BODs of Kalburgi, Mysuru, Belgavi divisions at KVK.
Livelihood Missions	Handholding support to FPOs promoted by them, including various kinds of capacity building inputs for their leadership and operating managers.
M2i Consulting	M2i offers a range of advisory services to Micro, Small and Medium Enterprises (MSMEs) to help them increase their scale of operations, improve their operating efficiency. They also provide similar services to FPOs.
MABIF	Madurai Agribusiness Incubation Forum (MABIF) propose to extend the wings of its agribusiness development catchment around Tamil Nadu that could effectively:
MANAGE	1 Issues and Challenges in Formation, Management and Implementation of FPOs
	2 International Webinar on Opportunities for Farmer Producer Organisations (FPOs) in the New Regime of Marketing Reforms
	3 Webinar on Selection of FPOs in Project District (APII&AT)
	4 Collaborative e-National Seminar on "Agricultural Marketing System in India" towards online marketing

	5 Webinar on Linking FPOs with e-NAM in Kannada for Karnataka state
	6 Webinar on Promotion and Implementation of Farmer Producer Organisations in Maharashtra
	7 Training Programme on Linking FPOs to Market in Andhra Pradesh Under APII & AT Project District of Andhra Pradesh
	8 Training Programme for Board of Directors (BoDs) of Farmer Producer Organisations (FPOs), Haryana
	9 Consultative workshop on Linking Selected FPOs to Market and overall mentoring Under APII & AT Project District of Andhra Pradesh
	10 Training programme on Promotion of FPO in livestock sector: Opportunities and Challenges
	11 Approaches to Link FPOs with Market
	12 Climate Change and Natural Resource Management for Sustainable Agricultural Development for the FPOs
NABARD	Governance, Business and Compliances for CEOs and BODs of NABARD.
NAFPO	National Association for Farmer Producer Organisations (NAFPO) is registered as a non-profit, multi-stakeholder owned platform to support institutional development and business stabilisation for Farmer Producer Organisations.
NIAM	Offers a full two-year post-graduate management course for management principles applicable for producer collectives. Though these are not specifically for FPOs, these courses are applicable for enhancing the performance of FPOs as well.

NIRD	1. Online Training Programme NIRD PR
	2. ToT Programme on 'CAPACITY BUILDING FOR PROMOTION OF FPOs IN INDIA'
PJTSAU	PROFESSOR JAYASHANKAR TELANGANA STATE AGRICULTURAL UNIVERSITY, RAJENDRANAGAR, HYDERABAD, INDIA.
PRADAN	Handholding support to FPOs promoted by them, including various kinds of capacity building inputs for their leadership and operating managers.
SFAC	Advance training of CEOs and BoDs conducted by SFAC in different states.
	Small Farmers Agribusiness Consortium (SFAC) being the nodal agency to support Farmer Producer Organisations (FPOs) is organising specialised training programmes for Chief Executive Officers (CEOs) and Board of Directors (BoDs) of FPOs in collaboration with prominent national level training institutes like Bankers Institute of Rural Development (BIRD), National Institute for Rural Development and Panchayati Raj (NIRD&PR).
University GKVK	Training programme for CEOs and BODs of Bengaluru division was held on 24th and 25th of February 2019 at the College of Horticulture.
	Workshop conducted with GIZ at College of Horticulture, GKVK, Bengaluru.
Vrutti	Handholding support to FPOs promoted by them including various kinds of capacity building inputs for their leadership and operating managers.
XSRM (XUB)	Xavier School of Rural Management, offers a full two-year post-graduate management course for management principles applicable for producer collectives. Though these are not specifically for FPOs, these courses are applicable for enhancing the performance of FPOs as well.

4.4 Access to Capital

4.4.1 Enhancing Credit Flow to Farmer Producer Organisations

Funding to FPOs Cannot Wait

Even as the number of FPOs has been growing (the count today being > 15,000) due to the big push given by the Government of India via promoting FPOs under a flagship programme, the credit flow to FPOs has not kept pace with this growth in their numbers or their increasing appetite for credit. It is, hence, a matter requiring urgent attention.

The current strategy of making FPOs debt ready and creditworthy includes the provisioning of matching equity grants to FPOs to build leverage, offering guarantees to de-risk lending, and capacity building on a massive scale.

Data on Lending to FPOs – An Unknown

One of the serious challenges has been the absence of credible data on credit flow to FPOs. While several scholars have attempted to arrive at this information in the past, including sifting through massive volumes of MCA data on charges registered on FPOs by various lenders, direct disclosures by the lending institutions and sharing is a much-felt need that this chapter would, to an extent, address, hopefully starting a trend of voluntary information sharing, disclosure, and exchange.

4.4.2 Current Status of Lending to FPOs

We have tried to collate data from significant players in the FPO space, which is probably a first for the sector. The institutions together, in our assessment, have a market share of more than 80% of lending to FPOs.

Table 4.1: Lending to FPOs by Major Credit Providers (Amount in Rs Million)

Institution	2019–20		2020–21		2021–22	
	No. of FPOs #	Amount	No. of FPOs #	Amount	No. of FPOs #	Amount
Samunnati*	98	1,043.80	165	2,426.70	379	2,161.90
NABKISAN	162	559.90	262	784.00	410	965.40
FWWB **	29	220.70	16	188.10	20	105.00
Caspian Debt	3	70.00	1	30.00	1	50.00
Arya Dhan	-	-	-	-	157	750.00
Total	**292**	**1,894.40**	444	3,428.80	919	4,032.30

(Source: As reported by respective institutions)
**Samunnati number of FPOs (#) indicates the number of FPO engagements*
***Data of FWWB includes FPCs, co-operatives and companies*

4.4.3 Types of Credit for FPOs

FPOs require multiple types of credit, depending on the nature of activities they undertake. The following are the broad types of credit requirements:

1. Finance for input purchase and supply to members and non-members, typically on a cash and carry basis; could range from 30 to 60 days.
2. Trade finance for fulfilling buyer orders for produce by paying farmer suppliers upfront and receiving payment from the buyer in due course; a cycle that could vary from a week to 60 to 90 days.
3. On-lending to FPO members by borrowing from higher-level agencies and being a pass-through institution.
4. Borrowing for establishing infrastructure and asset financing which could be as simple as a small transport van to an integrated processing facility; requires a term loan.

As can be noted, the diverse needs may require FPOs to work with a variety of lending institutions that can offer the appropriate products.

4.4.4 Challenges Faced by Lenders in Funding FPOs

In spite of a large number of FPOs in the country, most initiatives to support them beyond initial formation have failed or remained sub-scaled with ad-hoc structures, driven largely by state agencies and donors and executed solely by well-intentioned resource agencies.

Key Issues Constraining FPO Lending

- Promoting Agencies lack institutional capacity and commercial orientation.
- Absence of a coherent sequence of interventions in planned phases led by a thorough need assessment of the FPO.
- Lack of an outcome-oriented approach, instead of following an activity-oriented approach tailored to the donors' budget and time horizon.
- Lack of an institutional ecosystem of value chain actors and service providers who are capable of serving FPOs in a sustainable and commercially viable manner.

FPOs, therefore, face acute problems in issues of understanding business and markets, market linkages and availing institutional finance.

4.4.5 Developments in the Lending Space

- Samunnati's FPO lending platform where the entire application process has been automated and if all the pre-defined criteria are met, a minimum level of credit is assured to the FPO.
- Agri Elevate – An online listing platform in the Agri sector aimed at digitally connecting FPOs and Agri-enterprises to fulfil all their Agri-service needs. This platform addresses challenges like information asymmetry and the lack of access to network channels faced by both the FPOs as well as the Agri Enterprises including agritech players and start-ups in Agriculture.
- Kotak Mahindra Bank's initiative on lending to FPOs at a rate of interest of 7.5% and a 2% processing fee.

- NABSanrakshan – A credit guarantee trust established by NABARD for extending various guarantees, including loans to FPOs.
- Establishment of an Agri Infrastructure Fund by the Government of India, that offers interest subvention[24].

4.4.6 Guarantees Available for Lending to FPOs

There are several guaranteed products available for loans made to FPOs. The details of the same are tabulated below:

Table 4.2: Guarantee Products Available for Loans Made to FPOs

S. No	Agency	Criteria	Coverage	Guarantee Fee
1	GOI Credit Guarantee scheme implemented by NABsanrakshan	Minimum membership of 300. FPC or Co-op eligible	85% for loans up to Rs 10 million 75% in case of loan > Rs 10 million	Up to Rs 10 million – 0.75% of loan amount + GST For loan amount > Rs 10 million – 0.85%+GST
2	SFAC	Loan up to Rs 10 million. Only for FPCs	85% of loan amount	0.85%
3	Orissa Govt		50% of loan up to Rs 10 million	> 500 members -0.50%+GST < 500 members -0.75%+GST Women FPCs – 0.5%+GST
4	Tamil Nadu Govt		50% of Loan up to Rs 10 million	0.50% +GST

24 https://agriinfra.dac.gov.in/Content/DocAttachment/FINALSchemeGuidelinesAIF.pdf

S. No	Agency	Criteria	Coverage	Guarantee Fee
5	Agri Infra Fund of GOI	Only for Term Loans. SME loans to be covered under CGTSME, and Agri loans under NABsanrakshan		

Source: Compiled

4.4.7 Lessons from SHG-Bank Linkage Programme for the FPO Bank Linkage

Promoting agencies that were part of the SHG-bank linkage journey from the early days can draw analogies as to how commercial bankers can be co-opted into the FPO programme. This includes large-scale capacity building, systematic interaction between bankers and FPOs, and standardisation of the loan product (productisation) in a manner that allows for mass deployment.

While there are merits in the suggestion, it needs to be recognised that product standardisation is not possible in FPO lending because of the varying commodities being handled, and varying crop calendars. Borrowing by an FPO without the utilisation of the funds in business will make it difficult to cover the cost of borrowing.

4.4.8 Credit as Leverage to Enhance Business

Credit is productive when put to use to grow business, thereby not just servicing the interest on borrowings, but generating a surplus to strengthen the resources of the FPO. Illustrated below is data for some of the FPOs recently funded by Samunnati and the growth achieved post accessing the credit.

Table 4.3: Lending Multipliers (Amount in Rs Million)

S No	FPO Name	Credit Availed	Pre-Credit Linkage Turnover	Post-Credit Linkage Turnover	Increase in Turnover (%)	Activities
1	Kamtanathji Krishak PC	2.00	5.33	10.80	102	MSP procurement
2	Kali Sindh FPC	1.50	1.90	5.65	196	MSP procurement and input business
3	Bidar Krishika PC	4.00	0.78	1.75	125	Due to increase in member base – active member transaction
4	Wagedha FPC	0.50	1.26	1.90	51	Added CHC and output for business

Source: Samunnati

4.4.9 Some Success Stories of FPOs Going to Scale

Chetna Organic

Chetna Organic Agriculture Producer Company is into trading organic and organic fair-trade cotton by procuring raw cotton from its member farmers through co-operatives and selling processed lint to spinners. Caspian started a relationship with Chetna in January 2014, with a loan facility of Rs 15 million for a tenor of 12 months.

At the time of starting the relationship, Chetna had annualised revenues of Rs 45 million, which increased with a healthy CAGR of ~32%, thereby closing FY 21 with revenues of Rs 300 million and have also maintained small profits in all years, barring FY 19–20. Further, Chetna is looking to close FY 22 with revenues of Rs 400 million. It currently enjoys a credit limit of Rs 50 million from Caspian and a term loan facility of Rs 50 million from NABKISAN.

Jharkhand Women's Self-Supporting Poultry Co-operative Federation Ltd

Jharkhand Women's Self-Supporting Poultry Co-operative Federation Ltd was registered in March 2005. It was promoted by PRADAN in 2002 when experimenting with one of the block 'Kuru' of Lohagarda district in Jharkhand to involve SHG members in taking up poultry activity as a livelihood opportunity. SHG members, who are the producers responsible for the rearing of broilers, collectively form the co-operative. A typical co-operative consists of 500–700 tribal women members who practice rearing small birds in the backyard of their house. Presently, the federation has nine co-operatives with operations spread over nine districts in Jharkhand.

It was a self-sustaining and profitable institution and raised grants/ loans from institutions like RABO Bank and National Co-operative Development Corporation (NCDC) until the outbreak of COVID-19. After February 2020, the situation completely changed when rumours linking the spread of viruses with the consumption of chicken engulfed the customers' minds, which had a huge impact on the poultry sector. In spite of a negative EBITDA margin in FY 20 and an overall negative outlook looming over the poultry industry, Caspian took a conscious call to extend credit to the Federation.

In June 2020, Caspian disbursed the Rs 10 million for a tenor of 36 months, which helped the Federation to restart the cycle of production and rearing by procuring day-old broiler chicks from the open market, hatching eggs and providing them feed. While the loan was offered at a time when the market sentiments were negative, Caspian drew comfort from the professional promoting agency NSPDT, which is a dedicated sector-oriented national-level organisation that works for the expansion of smallholder poultry in India and was set up by PRADAN in 2005. The most important factor of positively impacting the livelihood of 5,000 tribal women families directly, with an expected incremental cash income of at least ~ Rs 30,000 per annum for the members influenced Caspian's decision to lend.

Jharkhand Federation has shown resilience in managing its business and has achieved revenues of Rs 600 million in FY 22 (YTD) in comparison to annualised revenues of Rs 570 million in FY 21.

4.4.10 Why Lenders Could Not Fund FPOs

- **High Risk –** The majority of the FPOs in nascent stages of growth are unable to provide any form of collateral security to lenders, which makes providing debt highly risky for the lender. Samunnati deploys customised solutions such as DAS (deduction-at-source) cash-flow trapping mechanisms while providing input/output loans to FPOs. This helps in securing the debt without hard collateral.
- **Lack of standardised grading and assessment tools –** There is an absence of standardised tools like credit ratings for FPOs. It can often be challenging to identify FPO needs and measure progress over time to understand performance and assess risk to provide funding.
- **Lack of farmer-level data –** Most FPOs do not maintain a proper record of data that is crucial for lenders, which includes farm-level data, member database, member KYC, etc.

4.4.11 FPO Lending – Portfolio Quality

While disbursement and outstanding data remain a black box, with lending agencies not forthcoming on proactively sharing data on lending, there is even much less insight about how the portfolio of loans to FPOs is performing.

It would be a useful disclosure, and helpful to any new lender who wants to test the waters of lending to FPOs. From the experience of lenders, it is quite evident that collections or recovery in quite some cases do not happen automatically, and need monitoring, engagement and follow-ups. Delays and defaults occur for various reasons, including delayed collection from buyers, price dips, and the loan structure not designed to align with the cash inflows.

Like MFIN in the microfinance sector, it would be helpful if an apex institute is able to collect and share portfolio data across all agencies of the asset class.

4.4.12 Credit Flow to FPO Federations

Many sector practitioners believe Federating FPOs is the way forward for business volumes and enhancing negotiating power of FPO with buyers. Gujarat, Maharashtra, and Madhya Pradesh have FPO Federations operating at a significant scale. The experience of GUJPRO Agribusiness Consortium Producer Company Ltd and Madhya Bharat Consortium of FPOs (MBCFPCL) is presented below:

1. GUJPRO Agribusiness Consortium Producer Company Ltd

Table 4.4: Performance of GUJPRO

S No	Year	Sales/ Turnover (Rs million)	No of FPOs transacted	Commodities handled	Working Capital Cycle (days)	Sources of Finance
1	2018–19	8.32	12	Tur, Chana, Mustard, Groundnut	40	Revolving fund from Govt. of Gujarat and NABKISAN
2	2019–20	0.57	5	Groundnut	45	Samunnati
3	2020–21	46.27	11	Groundnut, Groundnut Seed, Wheat, Chana, Mango, Coconut	30	Samunnati, NABKISAN
4	2021–22	104.00	10 (to increase to18–20 FPOs)	Groundnut, Groundnut Seed, Chana, Wheat, Mango, Soybean, Gram Seed, Mustard	15 (2–3 in some transactions)	Samunnati NABKISAN

GUJPRO's experience with Funding

GUJPRO has been able successfully to raise funds from NABKISAN and Samunnati, the two major lenders in the Sector. A summary of their borrowing profile is given below:

Table 4.5: Borrowing Profile of GUJPRO

S. No	Year	Lender	Type of facility – Loan, CC, PO based finance	Amount in Rs million
1	2018–19	NABKISAN	Working Capital Loan	10.00
2	2017–18 & 2018–19	Govt. of Gujarat	Revolving Fund for MSP Procurement	170.00
3	2019–20	Samunnati	Short Term Procurement Loan	15.00
4	2020–21	Samunnati	Short Term Loan	30.00
5		NABKISAN	Working Capital Loan	10.00
6		NABKISAN	Pledge Loan (WHR Finance)	8.00
7		Samunnati	Short Term Loan, Medium Term Loan	40.00
8	2021–22	NABKISAN	Pledge Loan (WHR Finance)	20.00

NABKISAN has been at the forefront of FPO lending and were the first NBFC from which GUJPRO raised a loan of Rs 10 million in 2018–19 at an interest rate close to 10% per annum, covered under CGF cover provided by SFAC. Loans were taken in subsequent years as well. NABKISAN evaluates the proposals differently from bankers while keeping the interest rates low and without guarantees from directors.

Samunnati's finance was initially @18% per annum, which kept FPOs away. However, they reduced their rate of interest to 14% during the year 2019, when GUJPRO started a relationship with Samunnati, who sanctioned a short-term credit limit of Rs 15 million for a period of one year. The scrutiny process is intensive at Samunnati. However, the team looks at FPO proposals with an enabling approach to problem-solving, and at times goes beyond their comfort zone to lend to FPOs.

According to GUJPRO, the bill discounting (bill to ship) financing model for FPOs is a game-changer. Sam Agro provides an additional service of buyer assurance along with financing against an invoice in this model. However, there are operational problems concerning the settlement of the amount withheld by buyers.

2. Madhya Bharat Consortium of Farmer Producer Companies Ltd

Table 4.6: Performance of Madhya Bharat Consortium

S No.	Year	Sales/ Turnover (Rs million)	No of FPOs transacted	Commodities handled	Working Capital Cycle (days)	Sources of Finance
1	2016–17	70.09	15	Tur, Chana, Soya, Paddy & Wheat	180	Ananya Finance & IDBI
2	2017–18	230.02	17	Soya, Paddy, Chana & Wheat & Tur	180	Nabkisan & IDBI
3	2018–19	1540.05	14	Soya, Mustard, Lentil, Chana & Wheat	90 & 60	Samunnati, IDBI and FWWB
4	2019–20	60.03	9	Soya, Wheat, Onion	12 months	IDBI, FWWB Samunnati Finance
5	2020–21	290.06	9	Soya, Wheat, Onion	12 months	IDBI & FWWB

MBC Experience with Funding

A summary of the borrowing profile of Madhya Bharat Consortium (MBC) is given below:

Table 4.7: Borrowing Profile of Madhya Bharat Consortium

S. No	Year	Lender	Type of facility – Loan, CC, PO based finance	Amount in Rs million
1	2017–18	IDBI BANK LTD	IDBI Cash Credit Limit	9.90
2		Friends of WWB India (FWWB)	Working Capital Loan	10.00
3		IDBI BANK LTD	WHR STL Loan from IDBI	3.90
4		Samunnati Financial Int & Services Pvt Ltd	Working Capital Loan	39.00
5	2018–19	IDBI BANK LTD	IDBI Cash Credit Limit	7.40
6		Friends of WWB India (FWWB)	Working Capital Loan	10.00
7		Samunnati Financial Int & Services Pvt Ltd	MSP Farmer Payment Loan	179.01
8	2019–20	IDBI BANK LTD	IDBI Cash Credit Limit	9.80
9		Friends of WWB India (FWWB)	Working Capital Loan	10.00
10	2020–21	IDBI BANK LTD	IDBI Cash Credit Limit	10.00

MBC's Experience with Lenders

FWWB and IDBI were at the forefront of FPO lending, and Ananya was the first NBFC from which MBC took a loan of Rs 20 million in 2015–16. The loan was not covered under CGF, and a letter of comfort was provided by the supporting agency ASA. Guarantees from Directors and CEO were taken by Ananya. The interest rate was close to 15% per annum. Loans were taken in subsequent years as well. NABKISAN also provided a credit @11% under the Guarantee cover of Rabo Bank Foundation. FWWB were provided collateral-free loan ranging from Rs 10 million to 20 million in competitive interest rate @14.25%. The interest charged is also lower than other NBFCs.

Samunnati's finance was initially @18% per annum, which was very costly for FPOs during the initial days. They were also imposed penal interest due to delay in repayment, yet they were comparatively easy and accessible for FPOs. Later, Samunnati reduced its rate of interest to 14% during the year 2019. It sanctioned a short-term limit of Rs 25 million for one year. Madhya Bharat also took the support of Samunnati for payment to the farmers, but it created problems in several cases due to technical issues.

4.4.13 Way Forward

Greater involvement of banks in FPO lending is a necessity because they are custodians of low-cost funds, which can help bring down the cost of credit to FPOs, as well as their ability to offer flexibility that no NBFC can match. In spite of a circular issued by IBA on lending to FPOs and public pronouncements made by chairmen of banks from time to time, the involvement so far of commercial banks in FPO lending has been muted and scattered.

Both NABKISAN and Samunnati, being leading players in this space, have a good understanding and the requisite systems and processes to scale-up lending. Each has its own distinct advantages, NABKISAN because of its organic linkage with NABARD, whereby it starts the journey with the FPOs almost from formation, which the presence of NABARD DDMs on the ground reinforces. Samunnati, on the other hand, has rooted forward linkages and access to the market model, which can de-risk their lending book and support FPOs to take off in their growth journey.

Some suggestions to enhance the flow of credit to FPOs in the short to medium term would be:

1. Initiation of dialogue between FPOs and lenders on an ongoing basis to familiarise and develop a level of comfort. Institutions like NAFPO can play a lead role in making this happen.
2. Flexibility and customisation of products need to be developed for FPOs. In this, NBFCs who are the largest lenders in this space have limitations, therefore, partnership between banks and NBFCs needs to be worked out, where the possibility of a loan that is functionally as efficient as a CC limit can be offered to FPOs.

3. The assumption that for an FPO, credit availability is more important than cost is a myth. FPOs need to be offered affordable credit, and all efforts should be made in this direction.
4. Collaboration is the way forward, where the exchange of information across institutions would help growth and cost rationalisation. FPOs with a good track record with NBFC lenders should graduate to accessing debt from a commercial bank on more attractive terms.

4.5 Access to Markets

4.5.1. FPOs and Markets

For farmers to be profitable and productive, access to markets is vital. In the absence of access to the markets, farmers depend on middlemen or sell in less lucrative local markets, leading to poor returns and remaining at a subsistence level. Smallholder farmers often lack access to profitable, value-added markets. Low awareness of market demand, as well as lack of means to reach the markets and supporting infrastructure contribute to the problem of accessing markets. One of the factors for encouraging FPO promotion in the country is to improve market access to the members along with increasing the bargaining power for better price realisation through collectivisation. FPOs, to a large extent, are successful in the marketing of inputs. They were able to address the challenges faced by farmers in access, quality, and timely availability of inputs. Tie-ups with input suppliers and bulk procurement of inputs helped the FPOs in supplying quality products and passing the price benefit to the members, which led to members' loyalty. However, FPOs still struggle for better market access for output marketing and lack adequate market opportunities.

Agricultural markets in India have grown in recent times with the emergence of new marketing channels. A few favourable policy reforms further encouraged the participation of private players along with the state. But still, a lot needs to be done. While a few FPOs are successful in leveraging the opportunities and establishing market linkages, definite data on this is not available. Some of the existing market channels available for FPOs in the current scenario are examined below.

4.5.2 Local Markets and Mandis

The farmers, much before the concept of FPOs was born, had the facility to sell their produce in designated market yards. India's agricultural markets are regulated by the states under the Agricultural Produce Marketing Committee (APMC) Act. Under the APMC Act, the states can establish agricultural markets, known as mandis. The sale of agricultural commodities can occur only in the mandis through auction. The sales process in mandis is regulated through commission agents who mediate between the farmers and traders. Farmers are at the mercy of the commission agents and therefore, are exploited by lower price realisation, lack of transparency in the trading process, collusion among traders, price cartelisation, and delay in payments. The payment delay forces the farmers to depend on borrowing from local money lenders and use up savings for their daily expenses. The traders and commission agents dominate the pricing decision as they have the monopoly and political support.

In India, nearly 86% of farmers are small and marginal farmers. These farmers, given their small marketable surplus, do not find it economical to bear the transport costs to take their harvests to mandis. Thus, they end up selling their harvest to a village trader even if at a lower price. The FPOs, on the other hand, have the advantage of being representative of a large group of farmers and with large volumes to trade at the mandi. However, the FPOs face the challenge of obtaining a mandi licence to transact in the mandis. The procedural hurdles and the delays deter the FPOs from accessing the market yards. In some states, such as Uttar Pradesh, the application of the FPO to the mandi committee for a licence had to bear the recommendation of commission agents, which makes it tougher for the FPOs to surmount such difficulty. The other hurdle is reaching the mandis. The National Commission on Agriculture (NCA) had recommended that every Indian farmer should be able to reach a mandi in one hour by a cart. Thus, the average area served by a mandi was to be 80 square kilometres. However, in 2019 there were

6,630 mandis with an average area served of 463 square kilometres. This number increased to 7,320 in 2021[25]. Therefore, access to mandis is also not easy considering the high transportation costs.

Eighteen states in India allowed the establishment of private markets outside the APMC and direct purchase of agricultural produce from farmers. However, no significant private investment has flowed in to establish private markets in these states owing to high transaction costs which don't allow them to offer better prices to farmers and, therefore, no benefit for the farmers to choose these markets.

4.5.3 Direct Marketing to Processors and Retailers

Value addition in agricultural commodities helps to raise the price of the commodity. The processing of agricultural produce is usually undertaken at three levels. The first level involves cleaning, grading, pre-cooling, and packing. After preliminary level value addition, the produce is still sold in traditional forms of retail in markets, mostly in the loose form. The second level involves drying, grinding, milling, hulling, and shelling. This transforms products that are not edible in their raw form into an edible form. However, the value-added in primary processing is relatively small. The third level of processing is mainly done where the primary products undergo significant modification and a much higher value is added to them. Yet, a much higher level of processing is the manufacture of ready-to-eat meals. However, the extent of processing of agro products in India is estimated at 6.76%[26].

With the fact that the role of the primary producer is confined to the first level or more so at the pre-first stage of processing, FPOs are considered vehicles for moving the small producers further up the value chain to increase their returns on investment and their economic security. While setting up processing units involves capital that is not easily available for the FPOs, direct marketing to the processors and

25 https://www.indiabudget.gov.in/budget2015-2016/es2014-15/echapvol1-08.pdf

26 https://pib.gov.in/newsite/PrintRelease.aspx?relid=111841#:~:text=Processing%20of%20Agricultural%20Produce&text=As%20per%20the%20study%20conducted,during%20the%20year%202010%2D11.

retailers is an opportunity available for FPOs that can be leveraged for the benefit of the members.

Understanding this importance, the Government of India has been making concerted efforts to facilitate farmers in direct marketing and assure better returns to facilitate farmers/groups of farmers/FPOs/co-operatives in selling their produce to bulk buyers/big retailers/processors, etc. Guidelines were issued especially during the pandemic by the government to facilitate the farmers in timely marketing of farm produce without insisting on licenses, helping the farmer collectives to benefit from this process.

4.5.4 MSP Procurement

MSP is a minimum price that the government considers as remunerative for farmers and hence, deserving of support. It is a tool that gives a guarantee to the farmers, before the sowing season, that a fair amount of price is fixed to their upcoming crop to encourage higher investment and production of agricultural commodities. According to the NITI Ayog report, the government has declared MSP for 24 crops. By engaging in the MSP procurement operations for the government, FPOs stand to gain from the commission provided for the procurement centres. Considering the large volumes of procurement quantities that need to be procured across the country, the FPOs benefit from revenue from this activity in addition to providing an assured market for the member's produce. Some of the states have identified FPOs as designated centres for the procurement of commodities under MSP operations. Currently, MSP is accessible largely for wheat and paddy. FPOs can procure other commodities at which MSP is announced and ensure delivery to designated centres.

The policy guidelines issued by SFAC in 2013 on the promotion of FPOs specified that the Department of Agriculture and co-operation will work with the Food Corporation of India and state governments to encourage them to include FPOs as procurement agencies under the Minimum Support Price (MSP) procurement. The latest guidelines on the 10,000 FPOs scheme also reiterated the relevance and importance of FPO engagement in MSP procurement.

4.5.5 E-Trading Platforms

a) **e-Kisan Mandis**

NAFED e-Kisan mandis (NeKM) is an electronic trading platform with physical infrastructure at each proposed location in partnership with local Farmer Producer Organisations to be integrated with a National Level Digital Marketing Platform. The mandi has both physical and virtual infrastructure and it is based on the hub and spoke model. The physical infrastructure will include a digital platform with auctioning facility, pack-house (including sorting-grading, packing and pre-cooling facilities), warehouse and cold storage if required. FPOs can avail funding support through Agriculture Infrastructure Fund (AIF) and subsidies available under various central and state government schemes. The mandis are made at the farm gate, bringing buyers to farmers.

b) **eNAM**

National Agriculture Market (eNAM) is a pan-India electronic trading portal that networks the existing APMC mandis to create a unified national market for agricultural commodities. Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of the Ministry of Agriculture and Farmers' Welfare, Government of India. eNAM aims to promote uniformity in agriculture marketing by streamlining procedures across the integrated markets, removing information asymmetry between buyers and sellers and promoting real-time price discovery based on actual demand and supply. Farmers can sell their produce through an online competitive and transparent price discovery method on the eNAM platform, which encourages greater marketing prospects for them. Farmers are free to register and sell their produce on the eNAM site. A total of 1,000 mandis from 18 states and three union territories have joined the eNAM platform, with over 17.20 million farmers as beneficiaries. Integration of APMCs across the country via a shared online market platform to improve pan-India commerce in agriculture commodities, allowing for better price discovery through a transparent auction procedure based on product quality and quick online payment are the features of this platform. FPOs are allowed to directly trade with the e-NAM portal where they can upload produce details from collection centres with picture/ quality parameters and avail the bidding facility without physically reaching the mandis.

c) **NCDEX**

National Commodity & Derivatives Exchange Limited (NCDEX) has provided a platform for FPOs to counter the price volatility of agri-produce, thereby safeguarding the interest to protect their real incomes, their bottom lines and competitiveness, and the economy to protect its macroeconomic stability. It is a non-conventional marketing channel neutralising price risk participation in the commodity futures market and has the potential to enable FPOs to insulate farmers from pricing shocks and guarantee a minimum return on their produce and provide alternative market linkages through commodity exchange delivery centres. Hedging provides insurance against risks arising out of price fluctuations. It helps in awareness creation of commodity prices across the country, in decision making of what crops to grow based on future prices of the commodities and better negotiation power.

The FPOs that are located in the vicinity of the NCDEX delivery centres and working in commodities that are listed on the platform can participate in hedging and can enter into the futures contract and lock the selling price. Before the due delivery date or before the maturity of the contract they can deposit goods in an NCDEX approved warehouse and give delivery on the exchange platform. Delivery and payment settlement happen within two working days after the expiry of the contract. As of March 2022, 450 FPOs have traded on the NCDEX platform, representing one million farmers from 14 states and in 18 different commodities.

4.5.6 Contract Farming

Contract farming is another market channel available for FPOs to explore. In the emerging agricultural policy regime, public-private partnership is the main route being taken to bring about transformation in agriculture, and the state is providing incentives to corporates to enter the agribusiness sector including through Contract Farming (CF). The main advantages of contract farming for farmers were found to be the lowering of market risk with the contracting agency in advance to buy the farmer's produce within a reasonable range of quality parameters. Farmers also gain from the technical, managerial, and advisory services that the agency provides. The contracting agencies tend to prefer large farmers for CF because of their capacity to produce and supply better quality crops as they use efficient and business-oriented farming methods and possess various services like transport, storage, etc. They also supply large volumes of produce, which reduces the cost of collection for the firm. The contracting agencies pick small farmers when the area is dominated by them or there is a government directive to do so. Sometimes the agencies face challenges, such as the farmers not following the recommended practices, resulting in undesirable quality of output, diversion of inputs to other crops or purposes, and breach of contract where the farmer sells the produce to buyers other than the sponsors. Arrangement for CF with FPOs creates a win-win for both the agency and the farmer members of the FPO. Seed production by seed companies and sugarcane production under the catchment area of a sugar factory, contract farming by Pepsico for tomato in Punjab, SAB Miller for barley, and McCain for potato in Gujarat are some of the success stories under contract farming.

4.5.7 Exports

Exports marketing of agri-produce constitutes an important marketing channel for FPOs engaged in niche products. FPOs dealing in horticulture crops, organic products, and spices have already focused on export markets and benefited from bigger margins. Grapes, mango, cocoa, coffee, pepper, vanilla, cashew, nutmeg, turmeric, ginger, coconut, etc. are some of the commodities in which FPOs are engaged in the export market.

To encourage FPOs for increased engagement with the export market, APEDA (Agricultural and Processed Food Products Export Development Authority) has launched a programme called farmer connect, a programme for Agro-food clusters for export promotion and has identified potential clusters and products based on the export potential. APEDA has developed an online facility to implement an ICT (Information and Communication Technologies) solution in the form of a portal and mobile applications, to bridge the gap between farmers and exporters. The main objective of this initiative shall be the facilitation and integration of activities of farmers and aggregators in the form of Farmer Producer Organisations (FPOs) with exporters through the assistance of an ICT platform and a Field Co-ordinator who shall assist the Farmer/FPO to make better use of the opportunities provided by the exporters and the ICT platform.

4.5.8 Some Successful Market Linkages

There are numerous examples of success stories where FPOs are the focal point of the supply chain for agri-businesses. Madhya Bharat Consortium of Farmers Producer Company (MBCFPCL), based in Madhya Pradesh, is a key aggregator and supplier of agriculture commodities. It caters to both the age-old businesses like ITC and new-age businesses like Kamatan Farm Tech, which in turn works with large format retail businesses like Reliance Retail, etc.

GUJPRO, a state-level FPO in Gujarat, has carved a niche for itself by working with exporters in a commodity-specific value chain in peanuts.

Ram Rahim Pragati Producer Company Ltd (RRPPCL), based in Dewas, Madhya Pradesh, has pioneered the participation in the agri-commodity futures market to hedge its produce against risk. It has also partnered with Safe Harvest, an agriculture retail business as its manufacturing base. Safe Harvest procures Agri commodities from RRPPCL and processes them for direct sale in a large retail market.

FPOs have also started to supply produce to modern e-commerce retails such as JioMart, Grofers, Big Basket, etc., either directly or via new-age agriculture start-ups like Kamatan Farm Tech, Gramhal, and Digital Green, among others. These start-ups are working towards the introduction and further penetration of technology in the agriculture sector for streamlining FPO's aggregation, processing, transportation, and sale.

Navyug Producer Company in Uttar Pradesh has facilitated the direct supply of mangoes during the pandemic to the consumers in Delhi online through a payment gateway, showcasing the possibility of B2C market transactions by the FPOs.

4.5.9 Challenges of FPOs in Accessing Markets

Aggregating small and marginal farmers to enable them to integrate with agricultural markets is one of the primary objectives of FPO promotion. Through this institutional form, it was envisaged to tackle the problems of smallholder farmers. It was construed through FPOs, farmer members would be able to leverage their collective strength and bargaining power to tap high-value markets and enter into partnerships with other entities on equitable terms. However, FPOs face a variety of constraints, including the policy environment, information asymmetry, and lack of opportunity to access capital and credit to operate at significant levels to make a mark in the markets and leverage the benefit of collective strength.

Inaccessibility of markets: Currently, the post-harvest market infrastructure available is inadequate and far from the farm gate for the farmers or the FPOs to access. Both the number and the location of the mandis are not to the advantage of the farmers. The transportation cost of reaching mandis prohibits the farmers from exploring larger markets and drives them to approach local aggregators or intermediaries.

Quality of marketable surplus: Direct marketing to retailers, processors and exporters brings in the price advantage to the FPOs, thereby benefiting the producers and the consumers. This requires ensuring quality parameters prescribed by the buyers and adhering to specific quality standards. In the absence of the use of an appropriate package of practices, and post-harvest value added activity to enhance the quality of the produce, FPOs face challenges in catering to these markets.

Credit and capital constraints: FPOs face a variety of constraints, including a lack of opportunity to access capital to set up infrastructure and credit for working capital requirements for business operations. Therefore, they are unable to scale up to a size significant enough to deal with market forces on favourable terms. Lack of finance constrains the

FPOs from participating in markets that fetch higher returns. The linkage with processors and other market players, large retailers, is necessary for the long-term sustainability of FPOs. This requires procurement in larger volumes to meet the demand of the buyers. Inadequate working capital does not allow the FPOs to explore newer markets.

Knowledge and capacity constraints: The technology-enabled markets such as e-trading platforms (eNAM), trading in futures (NCDEX), and e-commerce (B2C) require knowledge and understanding of the processes for the FPOs to take part and accrue the benefits of such transactions. Similarly, the export markets, contract farming, and others that involve dealing with third parties need to comply with cumbersome procedural formalities associated with the activities. In the absence of professional managers at the helm of the affairs, the majority of FPOs are left out of accessing such markets.

Access to infrastructure: Basic value addition of agriculture produce by the FPO, such as cleaning, grading, and sorting, will help to increase the price of the commodity. However, FPOs have inadequate access to the infrastructure required for aggregation like transport facilities, storage, value addition at the primary level and processing, brand building and marketing. Lack of working capital pushes the FPOs to sell without value addition.

Access to market information: Farmers and FPOs have little or no access to the market process of commodities, which is crucial to making decisions on selling their produce. They are dependent on traders and middlemen for information in the absence of a mechanism to access the data. On the other hand, middlemen take advantage of farmers' lack of knowledge and make use of information on supply and demand in different markets and benefit from the existing and future price differentials.

4.5.10 Way Forward

To achieve the larger objective of promoting agribusiness enterprises by FPOs, there is a need to build the capacities of these farmer's institutions and invest in the market infrastructure facilities around them. Basic infrastructure for primary processing for value addition, storage, and market information services is of immediate requirement. Investment in infrastructure is, therefore, the need of the hour. The Agriculture Infrastructure Fund for supporting the development of farm gate infrastructure for farmers is a welcome step to this end.

Support to mitigate management deficiencies through training in business operations and the use of technology-enabled platforms for reaching lucrative markets will help the FPOs immensely. A mentoring programme for producer businesses with corporate tie-ups, training courses on managing commercial business operations, and long-term handholding support to establish systems and processes would be beneficial for building agribusiness enterprises.

Certain commodities like milk, sugar and verticals like seed have inherent advantages for FPO participation. The seed sector is particularly amenable to creating businesses – the large presence of the state sector – State Corporations, NSC and government being a large market, will be an added advantage. The government has already initiated steps in a few states in this direction. The FPOs benefited from the seed production programme of the agriculture department with a buy-back arrangement that helped in income generation for the members and the FPO. Under the Decentralised Rural Infrastructure and Seed Technology Initiatives, a joint scheme of the Government of India and the state government scheme of the government, many FPOs have availed grants for the establishment of seed processing units and storage godowns. Similar initiatives can be planned for other commodities.

The establishment of a Trade Facilitation Centre/Hub to enable processors/retailers to procure directly from FPO can greatly accelerate the participation of organised/formal market players to source produce. Mandating the identification of FPOs as MSP procurement centres will be a supportive step toward FPO growth.

E-Commerce platforms can drastically reduce middlemen costs. Just as eNAM works in a B2B setting, e-retailing in a B2C setting can bring a good connection between farmers and consumers. It can bring niche products to nationwide markets. E-retailers should engage more closely with FPOs and invest in technology to help the producers with improving quality and output at affordable costs and remunerative prices.

4.6 Other Key Players Fostering FPO Ecosystems

4.6.1 Supporting Farmer's Collectives

Collectivising and supporting millions of small and marginal farmers through Farmer Producer Organisations (FPOs) has emerged globally as the most effective way to improve the socio-economic status of smallholders and boost the rural economy. Several initiatives have been taken by the government, apex financial institutions, NGOs, bilateral and multilateral organisations, and international organisations to support the growth of the FPOs. Apart from financial support through credits and grants, the FPOs also require adequate handholding in terms of management and governance, establishing processes and systems, and business operations. The smallholders receive extensive support from the following organisations and the support agencies for the formation and functioning of the FPOs. These organisations serve as ecosystem enablers and leverage smallholders to produce and market for higher price realisation through FPOs, facilitating their emergence as successful business enterprises.

4.6.2 Domestic Organisations

Ambuja Cement Foundation (ACF): ACF works with 17 FPOs and engages with multiple stakeholders and partners to improvise the FPO ecosystems. It acts as a catalyst in enhancing the productivity and profitability of the farmers through FPOs. It facilitates the formation and strengthening of FPOs, Management and Governance, enabling joint procurement and market linkages. ACF provides financial assistance to the FPOs in partnership with Samhita Social Ventures for interest-free returnable grant funds and with Rang De for interest-free loans to FPOs, federations, and farmers. In partnership with Samunnati, ACF motivates farmers to raise credit funds and encourages Self-Help Groups to raise interest-free funds through banks. In addition to the financial support, it also helps in market linkages for the FPOs to obtain higher prices for their produce through marketing platforms such as Amazon and Flipkart, securing contracts with Food Corporation of India, etc.[27]

Reliance Foundation (RF): Reliance Foundation works with 30 Farmer Producer Organisations (FPOs) through several initiatives to support 43,000+ marginalised farmers. It focuses on enabling market linkages and helps farmers in the negotiation and sale of commodities, technical inputs for improved farm practices and technologies, digital platform linkages, and tie-up with government-run procurement centres and makeshift markets. In 2020–21, the FPOs were linked to national markets through digital commodity trading platforms and digitised FPO 'Point of Sales', recording transactions worth Rs 940 million. Reliance Foundation also provided links with government schemes, and e-pass for transporters and supported initiatives such as organising machinery for 5,952 farmers. In addition to the above mentioned, RF supported 48 FPOs for completion of the e-NAM registration procedure with the support of Mandi Parishad in Uttar Pradesh.[28]

SELCO Foundation: SELCO Foundation supports rural livelihoods by engaging with FPOs and local institutions in congruence with ecological resilience. In collaboration with Tata Trusts, SELCO Foundation has supported the deployment of Decentralised Renewable Energy (DRE) based cold storage facilities in Odisha. SELCO pioneers in introducing the SDG 7 ecosystems approach for the promotion and development of FPOs by the adoption of energy-efficient and solar-powered agri-processing equipment for FPOs with livelihood partners.[29]

S M SEHGAL Foundation: S M Sehgal Foundation works with 10 FPOs encompassing 5,000 members in the states of Uttar Pradesh and Karnataka, impacting 25,000 rural households. It supports in strengthening and building the institutional capacities of the FPOs. It works with the

---

27 https://www.ambujacementfoundation.org/programs/agriculture/farmer-producer-Organizations

28 https://www.reliancefoundation.org/documents/20182/120361/AR-2020-2021/ac032ee8-6d5d-4f78-98dd-d43525157789

29 https://selcofoundation.org/wp-content/uploads/2021/12/SF_Institutionalisation-of-SDG7-Sustainable-Energy-Access-As-A-Catalyst-for-Development.pdf

FPOs under a CSR-supported project supporting women's empowerment. The initiatives include capacity building of the FPOs, development, and implementation of well-defined business plans for the FPOs, increasing women's representation in the FPOs, crop productivity, access to credit of the FPOs, and market linkages. At present, the S M Sehgal Foundation works with 10 FPOs encompassing 5,000 members in the states of Uttar Pradesh and Karnataka, impacting 25,000 rural households. [30]

4.6.3 International Organisations

In accelerating the progress of FPOs, various International Organisations play a substantial role in partnering with NGOs, Developmental Organisations, Private Partners, Research Institutes, and governments in coherence with SDGs.

Bill and Melinda Gates Foundation (BMGF): BMGF supported Tanager, along with Palladium to launch promotion and stabilisation of Farmer Producer Organisations (PSFPO), a three-year project that will work in close collaboration with the Government of Odisha. PSFPO will support in the development of the FPO ecosystem in the state, improve the implementation of policies and interventions for FPO strengthening, streamline access to markets, and prepare farmers to interact with the private sector.[31] BMGF has also supported the development of India's first FPO portal (http://www.upfposhakti.com/up/) in partnership with the Uttar Pradesh State Government. The portal will bring farmers, producer groups, traders and the department of agriculture, and other allied departments of the state government on one platform.[32]

Ford Foundation: The Ford Foundation has placed a grant of USD 690,000 with the Client Fund of Rabobank Foundation to provide a guarantee to the Indian financial institutions that would lend to FPOs.[33]

Syngenta Foundation: Syngenta Foundation, India (SFI) has invested in

30 https://www.smsfoundation.org/farmer-producers-Organizations-and-agricultural-development/)

31 https://tanagerintl.org/2021/02/19/psfpo_pressrelease/

32 https://www.financialexpress.com/economy/uttar-pradesh-govt-develops-indias-first-fpo-portal/2217322/

33 Indian Journal of Agriculture Economics – pg 400

some novel projects by partnering with the Small Farmers Agri-Business Consortium (SFAC), Ministry of Agriculture, Government of India, and RML Information Services Pvt. Ltd. SFI supported 50,000 farmers' use of Krishidoot, an e-agriculture platform that links FPOs and markets. Krishidoot is an easy-to-use and universal ICT-based platform that brings farming communities and agricultural businesses together to accelerate sector growth. The SFAC and SFI consequently formed a partnership to launch an FPO manager training programme, the first of its kind.[34]

Walmart Foundation: Walmart Foundation is the philanthropy arm of retail major Walmart, which supports FPO ecosystems through NGO partners. In the year 2021, Walmart announced two new grants, totalling USD 4.5 million (around Rs 33.16 crore), to help improve farmer livelihoods in India. This will help the NGOs – Tanager and PRADAN, to further scale their efforts to help farmers earn more from the improved output and fair market access. PRADAN will receive USD 1.9 million to launch its Livelihood Enhancement through Market Access and Women Empowerment (LEAP) programme in West Bengal, Odisha, and Jharkhand in eastern India. Walmart has also supported TCI with a USD 1 million grant to launch FPO Hub, which features a database of Indian FPOs.

4.6.4 Financial Institutions

The financial institutions have also adopted a multipronged approach to the development of FPOs apart from credit support, thus serving as enablers of the FPO ecosystems.

Axis Bank Foundation (ABF): ABF partners with marginal and small farmers and supports aggregation through collectives, bringing scale and better-negotiating power. The initiative helps individual small farmers to preclude exploitation and unfair practices by middlemen and other agents through producer groups. These groups also help community members with scaling and livelihood planning, creating a mutually beneficial value chain for producers.[35] ABF also works with partner NGOs such as

34 Annual Report 2014-15 – pg 5, 29, 32

35 ABF – Annual Report – 2019-20

SRIJAN, Pradhan, and DHAN Vayalagam Tank Foundation to promote FPOs, capacity building, and linking them to resource institutions.

HDFC Bank: HDFC Bank integrates with the Government of India's National Agriculture Market (e-NAM) to reach over 17 million farmers. This integration helps not only farmers but also Farmer Producer Organisations (FPOs), commission agents, institutional buyers, and other mandi level service providers, etc., who form part of the entire agriculture value chain.[36] HDFC Bank has partnered with the SFAC to improve the ease of doing business on the e-NAM platform by offering the following collection modes through integration with e-NAM under this engagement: Multi-Netbanking, Debit card, NEFT/RTGS, UPI/IMPS.

Samunnati's Agri Commerce and Agri Finance solutions: Samunnati has a presence in more than 100 agri-value chains spread over 22 states in India and has powered over USD 1 billion of gross transaction value in its journey so far. Samunnati enables the affiliated 1,500+ Farmer Collectives with a membership base of 6 million farmers and the larger ecosystem to be more efficient and productive through multiple technology-enabled interventions and collaborative partnerships. Samunnati has pioneered an approach that anticipates and creates forward-looking solutions for farmer collectives. Samunnati's AMLA approach (Aggregation, Market Linkage, and Advisory) entails a competitive and holistic engagement beyond finance with the collectives.

- *Digital Solution*: Kisan Pay card is a membership card for FPO members powered by a mobile application that allows FPOs to register member farmers, issue membership cards, and apply for products and customised product solutions.
- *Loans:* SamIPL is an online platform that provides instant pre-approved loans to small farmers with no collateral. A total of Rs 100 million has been disbursed to over 200 FPOs within 125 days.
- *Technology:* AgriElevate is an online listing platform that digitally

36 https://www.indiainfoline.com/article/news-sector-banking-financials/hdfc-bank-integrates-with-govt-of-india's-national-agriculture-market-e-nam-to-reach-over-1-71-crore-farmers-121111200729_1.html

connects FPOs and agri-enterprises to fulfil their agro-service needs, such as deployment of satellite-smart technology at farm monitoring level to leverage advances in remote sensing, machine learning, blockchain technology, and big data analytics. The firm is expanding automated weather stations for FPOs to collect data that can aid in structuring insurance products for the members of these collectives.[37]

4.6.5 Research Institutions and Support Agencies

Various National and International Research Institutes also focus on developing affordable and accessible technological solutions, policies, and innovative programmes to enhance the functioning of FPOs.

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT): ICRISAT is supporting FPOs on member centrality and risk management. ICRISAT's Agribusiness and Innovation Platform (AIP), the Resource Support Agency for the National Bank for Agriculture and Rural Development (NABARD) involved in designing the training programmes, exposure visits, modules development, technical support to NABARD and POPIs on FPO promotion, programme design and implementation in Telangana. It has also supported the development of FPO policy in Andhra Pradesh in collaboration with the line department, and the World Economic Forum and provides technical support for the Primary Sector Mission Project (PSMP).[38] In Maharashtra, ICRISAT is supporting the RKVY initiative MAHABEEJ by providing quality hybrid seed, monitoring on-farm trials, and building the capacities of officers and farmers, FPOs through training programmes in partnership with the Department of Agriculture and State Seed Corporation.[39]

India Foundation for Humanistic Development (IFHD): IFHD catalyses FPOs through its flagship programme, ProCIF – Producer Entrepreneurship

---

37 https://samunnati.com/

38 https://www.icrisat.org/increased-productivity-for-indian-farmers-through-farmer-producer-Organizations/

39 https://www.icrisat.org/more-farmers-and-fpos-to-adopt-hybrid-pigeonpea-technology/

Catalyst and Incubation Facility (ProCIF), initiated by Hivos International and supported by TATA Trust. ProCIF, a social innovation programme, seeks to incubate and transform asset-poor FPOs across India into self-reliant sustainable enterprises. It facilitates FPOs to access funds through grants, soft loans, and market-based finance, depending on the maturity and the readiness of the FPO coupled with a cross-cutting Technical Assistance Facility to support FPOs through their stages of growth and evolution.[40]

The Tata-Cornell Institute (TCI) for Agriculture and Nutrition: The Tata-Cornell Institute (TCI) for Agriculture and Nutrition launched a Hub for Farmer Producer Organisations (FPOs) within its Centre of Excellence in New Delhi, supported by the Walmart Foundation. The Hub features a database of Indian FPOs that brings together information on thousands of FPOs to facilitate research on small-farm aggregation models. Utilising an analytical, data-based approach, the Hub will aid in the understanding, development, and promotion of effective farm-aggregation models and serve as a dissemination platform through which stakeholders can access information, technical help, and guidance. Bringing together data on the over 4,400 FPOs in India will facilitate research aimed at developing effective FPO models.[41]

4.6.6 Bilateral and Multilateral Organisations

The Asian Development Bank (ADB): ADB provides financial assistance to the Department of Agriculture Marketing and Co-operation, Government of Maharashtra, and initiated the Maharashtra Agribusiness Network (MAGNET) project for capacity building of FPOs and enhancing the access to finance through matching grants and financial intermediation loans. The Asian Development Bank (ADB) approved a USD 100 million loan to improve the agribusiness network and productivity in Maharashtra, India. The project also focuses on the improvement and development

40 http://guidestarindia.org/Activites.aspx?CCReg=7622); (https://www.nafpo.in/fpo-business-incubation/)

41 https://news.cornell.edu/stories/2021/09/new-hub-promotes-farmer-producer-Organizations-india

of 16 existing facilities of the Maharashtra State Agriculture Marketing Board, in addition to the creation of three new facilities.[42] The project will offer crop-based support to develop FPO and market produce with higher brand values impacting 200 FPOs and 100 value chain operators to enhance their capacities and access to finance and increase the FPO annual profit by 10%.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and KfW: Before the setting up of the Producers Organisation Development Fund (PODF), NABARD was funding producer collectives under the Umbrella Programme for Natural Resource Management (UPNRM), bilaterally supported by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and KfW.

United States Agency for International Development (USAID): The U.S. International Development Finance Corporation (DFC) and the United States Agency for International Development (USAID) are jointly sponsoring USD 55 million credit guarantee to address the economic impact of COVID-19. The initiative aids in providing loans to FPOs, and companies engaged in clean energy solutions for the agriculture sector, improving market linkages and increasing incomes of smallholders, particularly women, while having a positive impact on the environment.[43]

World Bank: The World Bank supported the National Rural Livelihoods Project (NRLP) and MKSP's Value Chain interventions contributed significantly to the promotion of the producers' collectives, viz. producers' groups (PGs) and producers' enterprises (PEs) and enables small and marginalised women and farmers to access markets for their produce at a competitive price. It also aids in the promotion of FPOs and provides financial assistance on state-level projects, such as Bihar Tribal Development Project (BTDP), Maharashtra Agriculture Competitiveness Project (MACP), Maharashtra Agri-Business and Rural Development Project (MARTP), Rajasthan Agriculture Competitiveness Project (RACP),

42 https://www.adb.org/news/adb-approves-100-million-loan-agribusiness-development-india

43 https://knnindia.co.in/news/newsdetails/sectors/dfc-and-usaid-offer-usd-55-mn-credit-guarantee-to-fpos-for-clean-technologies

Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (CHIRAAG) for financial assistance, market linkages, and strengthening value chains through climate-resilient agriculture systems.

The list of key players fostering FPO ecosystem is given below:

Key Players in Fostering the FPO Ecosystem

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
National-Level Developmental Organisations	**Ambuja Cement Foundation (ACF)**	• Formation and strengthening FPO, Management and Governance, enabling joint procurement and market linkages • Works with 17 FPOs with 5,000 members • Market linkages for the FPOs through marketing platforms such as Amazon and Flipkart, securing contracts with Food Corporation of India, etc.	• Samhita Social Ventures for interest free returnable grant funds • Rang De for interest free loans • Samunnati to raise credit funds and encourage Self-Help Groups
	Reliance Foundation (RF)	• Enabling market linkages, technical inputs for improved farm practices and technologies, digital platform linkages • Mentored 30 Farmer Producer Organisations (FPOs) through several initiatives to support 43,000+ marginalised farmers • Supported 48 FPOs for completion of E-NAM registration procedure in Uttar Pradesh	• Partnership with local NGOs in respective states • Partnership with government-run procurement centres
	SELCO Foundation	• Supports rural livelihoods by engaging with FPOs and local institutions in concern with ecological resilience	• In collaboration with Tata Trusts for deployment of DRE solutions to FPOs

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
National-Level Developmental Organisations		• Deployment of Decentralised Renewable Energy (DRE) based cold storage facilities in Odisha • Pioneers in introducing SDG 7 ecosystems approach • Development of FPOs through adoption of energy efficient and solar powered agri-processing equipment for FPOs	• Partnership with livelihood enterprises and local NGOs
	SM SEHGAL Foundation	• Strengthen and build institutional capacities of existing FPOs in Uttar Pradesh and Karnataka • Works with 10 FPOs encompassing 5,000 members in the states of Uttar Pradesh and Karnataka, impacting 25,000 rural households • Capacity building of FPOs, develop and implement well-defined business plans for the FPOs, enable increase in women's representation in the FPOs	• Uttar Pradesh and Karnataka state government and other NGOs
International Development Organisations	**Bill and Melinda Gates Foundation (BMGF)**	• Supported Tanager along with Palladium to launch Promotion and Stabilisation of Farmer Producer Organisations (PSFPO) in Odisha • Supported in developing India's first FPO portal in Uttar Pradesh that will bring farmers, producer groups, traders and the department of agriculture and other allied departments of the state government on one platform	• Partnership with respective state governments

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
International Development Organisations	**Ford Foundation**	• Placed a grant of USD 690,000 with the Client Fund of Rabobank Foundation to provide guarantee to the Indian financial institutions who would lend to FPOs	• Rabobank Foundation and other financial institutions
	Syngenta Foundation, India (SFI)	• Supported 50,000 farmers' use of Krishidoot, an e-agriculture platform that links FPOs and markets • Formed a partnership to launch an FPO manager training programme, the first of its kind	• Small Farmers Agri-Business Consortium (SFAC), Ministry of Agriculture, Government of India and RML Information Services Pvt. Ltd
	Walmart Foundation	• Supports FPO ecosystems through NGO partners • Announced two new grants, totalling USD 4.5 million (around Rs 33.16 crore) to help improve farmer livelihoods in India • PRADAN will receive USD 1.9 million to launch its Livelihood Enhancement through Market Access and Women Empowerment (LEAP) programme in West Bengal, Odisha, and Jharkhand in eastern India • Supported TCI with USD 1 million grant to launch FPO Hub	• NGO partners – Tanager PRADAN • Knowledge Partnership with TCI

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
Financial Institutions	**Axis Bank Foundation (ABF)**	• Supports in aggregation through collectives, bringing scale and better negotiating power • Help FPOs with scaling and livelihood planning, creating a mutually beneficial value chain of producers • Promote FPOs, capacity building, and linking them to resource institutions through partner NGOs	• Partner NGOs such as SRIJAN, Pradhan, DHAN Vayalagam Tank Foundation
	HDFC Bank	• Integrates with Government of India's National Agriculture Market (e-NAM) to reach over 1.71 crore (17.1 million) farmers • Partnered with the SFAC to further improve the ease of doing business on e-NAM platform by offering the following collection modes through integration with e-NAM, under this engagement: Multi-Netbanking, Debit card, NEFT/RTGS, UPI/IMPS	• Government of India • SFAC
	Samunnati's Agri Commerce and Agri Finance solutions	• Enables the affiliated 1,500+ Farmer Collectives with the membership base of 6 million farmers • AMLA approach (Aggregation, Market Linkage, and Advisory) entails a competitive and holistic engagement • Kisan Pay card – membership card for FPO members • SamIPL, an online platform that provides instant pre-approved loans to small farmers with no collateral	• Partner NGOs and Private players in agro-marketing

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
Financial Institutions		• AgriElevate, an online listing platform that digitally connects FPOs and agri-enterprises to fulfill all their agro-service needs • Expanding automated weather stations for FPOs to collect data that can be used to structure insurance products for the members of these collectives	
Research Institutions and Support Agencies	**International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)**	• Supporting FPOs on member centrality and risk management • Agribusiness and Innovation Platform (AIP) – designing the training programmes, exposure visits, modules development, technical support to NABARD • Supported in developing FPO policy in Andhra Pradesh • Technical support for Primary Sector Mission Project (PSMP) • Supporting RKVY initiative – MAHABEEJ in Maharashtra	• State Governments and Line Departments
	India Foundation for Humanistic Development (IFHD)	• Catalyses FPOs through its flagship programme, ProCIF – Producer Entrepreneurship Catalyst and Incubation Facility (ProCIF) • A social innovation programme, seeks to incubate and transform asset-poor FPOs across India into self-reliant sustainable enterprises • Technical Assistance Facility to support FPOs through their stages of growth and evolution	• Hivos International and Tata Trusts

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
	The Tata-Cornell Institute (TCI) for Agriculture and Nutrition	• Launched a Hub for Farmer Producer Organisations (FPOs) within its Centre of Excellence • The Hub features a database of Indian FPOs that brings together information on thousands of FPOs to facilitate research on small-farm aggregation models • Bringing together data on the over 4,400 FPOs in India will facilitate research aimed at developing strong, effective FPO models	• Walmart Foundation
Bilateral and Multilateral Organisations	**The Asian Development Bank (ADB)**	• Provides the financial assistance to the Department of Agriculture Marketing and Co-operation, Government of Maharashtra – approved a USD 100 million loan to improve agribusiness network and productivity • Maharashtra Agribusiness Network (MAGNET) project for capacity building of FPOs and enhancing the access to finance through matching grants and financial intermediation loan • Impacting 200 FPOs and 100 value chain operators to enhance their capacities and access to finance and increase the FPO annual profit by 10%	• Government of Maharashtra

	Organisation	Initiatives and Support Provided to FPOs	Partnerships
Bilateral and Multilateral Organisations	**Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and KfW**	• Supported NABARD in funding producer collectives under the Umbrella Programme for Natural Resource Management (UPNRM, prior to the setting up of Producers Organisation Development Fund (PODF)	• NABARD
	United States Agency for International Development (US AID)	• US AID and DFC are jointly sponsoring a USD 55 million credit guarantee to address the economic impact of COVID-19 by supporting loans to FPOs. This initiative will introduce and support clean technologies for smallholder farmers	• Government of India
	World Bank	• Supported National Rural Livelihoods Project (NRLP) and Mahila Kisan Sashaktikaran Pariyojana (MKSP) Value Chain interventions • Promotion of FPOs demonstrated through a pilot project initiated by SFAC drawing from global best practices • Supports in State-level projects – Bihar Tribal Development Project (BTDP), Maharashtra Agriculture Competitiveness Project (MACP), and Maharashtra Agri-Business and Rural Development Project (MARTP) for market linkages and strengthening value chains, Rajasthan Agriculture Competitiveness Project (RACP), Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project (CHIRAAG)	• SFAC • NRLP – State Governments

Chapter 5

Role of Agritech Innovations in Driving FPO Scale and Sustainability

Hemendra Mathur

Summary

Agriculture Technological innovations picked up momentum in the last decade in India. These are aimed to solve multi-dimensional problems prevalent in Indian agriculture. The innovations target key challenges relating to soil health, water stress, quality inputs, productivity, post-harvest, credit and insurance, markets, and data, among others. Many start-ups have entered the fray trying to provide innovative technological solutions to these problems. With the increased importance of FPOs, the agritech innovations are now focused on supporting the FPO to solve the challenges faced by them. This chapter talks about the evolution of Indian agritech, technology solutions for FPOs, investment scenario, policy perspective and, more specifically, the need and opportunity in building agritech-FPO partnerships along with a few specific case studies and recommendations to take these partnerships to the next level.

With an estimated number of over 1,300 start-ups in Indian agritech, the agriculture sector and farming community can hope for solutions to the challenges that affect the economics of farming. Most of the innovations are around digital innovations and a few of them have gained global reputation. The current rate of adoption of agritech solutions by Indian farmers is estimated at 10–15%, which is likely to increase to 90% over the next decade.

The solutions offered by agritech innovators to FPOs cover areas of

agriculture inputs, crop monitoring, mechanisation, post-harvest, and marketing. These include tech-enabled marketing of farm produce by supporting aggregation, distribution, and branding for FPOs, quality assaying of agriculture produce through image processing and digitisation of transactional data, digital mode of accessing to storage, post-harvest finance and processing, pay per use model access to mechanical tools for farmers, data-driven crop monitoring and advisory to farmers and finally, the fintech solutions that are most essential for designing value chain financing models. Biotech solutions that help in soil health and plant immunity are available, which would help in the productivity enhancement of farmers, and FPOs are appropriate platforms to build awareness among the members.

Agritech innovation start-ups have attracted investors the world over. It is estimated that Indian Agritech will continue to attract an annual investment between USD 500 million and USD 1 billion in the near future. Corporate strategic investors as well as many sector-agnostic funds are coming forward to invest in Indian agritech.

The government policy environment is encouraging innovations in agritech as it is seen as a catalyst to achieve yield and income increase, a step towards the goal of doubling farmers' income. Budgetary provisions to fund and farm-level processing, promotion of Kisan drones, and mechanisation are steps towards encouraging agritech innovations in the country.

5.1 Introduction

Innovations in Indian agriculture are not new. The introduction of high yielding varieties of wheat and rice during the green revolution were pivotal in increasing the yield and production of food grains. Over the years. the government has created a strong network of agricultural universities and institutes under the Indian Councils of Agricultural Research (ICAR) for education, research, capacity building and training. In addition, corporates in the food and agri supply chain have invested in building their Research & Development set-ups and capabilities.

One thing that has changed in the last 10 years in Indian agriculture, from an innovation perspective, was the participation of start-ups. New-age innovations are trying to solve multiple problems faced by Indian agriculture.

The agritech or agtech – words often used to mean new-age innovations in agriculture – took its root in the last decade. Indian agritech has come a long way since its foundational years at the beginning of 2010. The period of 2010–2017 was of experimentation and building proof of concept, with a few dozen entrepreneurs trying their luck in solving multiple challenges of the food and agri supply chain. Investors' capital in this phase was not easily available as investors saw more risks and fewer rewards in investing in Indian agritech.

Phase 2, which started in 2017 and continues to date, saw maturing of some of the business models and the entry of some high-quality entrepreneurs. In the last five years, the agritech ecosystem saw a much-awaited inflection point that led to about 1,300 post-POC agritech start-ups, diversification of investor base and policy push by the government.

As we enter Phase 3 of Indian agritech, a few challenges remain, including driving deeper adoption amongst farmers and making these business models stand on their own, without necessarily being dependent on venture capital infusion to become sustainable. This phase is likely to see farmer adoption improve from the current 10–15% to more than 50% in the next few years.

FPO (Farmer Producer Organisation) was never a target segment for Indian agritech start-ups; however, with the evolution of FPOs, many start-ups have started to work with FPOs in solving their challenges of access to markets and inputs, data, advisory, credit, and insurance. However, start-up and FPO ecosystems that have evolved simultaneously need to work together for mutual benefits.

5.2 Current State of Indian Agritech Ecosystem

There are multiple challenges facing Indian agriculture, including climate change, water stress, deterioration of soil health, price volatility, and farmers' lack of motivation to continue farming. Climate risks are more pronounced in the form of high temperatures, flash floods, delayed/erratic monsoon, shifting cropping patterns, depletion of the water table, and nutrient deficiency in the soil adversely impacting productivity and farm incomes.

There are an estimated 150 million farmers in India, with a majority of them (more than 85%) owning less than two hectares of farmland. A farmer with an average landholding of about one hectare earns a gross income of about Rs 150,000 per annum to meet her/his personal, family and occupational needs. The farmer is often left with a little surplus for productive investment into new-age solutions.

As demonstrated by about 1,300 plus agritech start-ups, innovations can go a long way in improving farm economics with improved yield, reduced cost of inputs, and empowering farmers to de-risk against commodity price fluctuations, monsoon failures, etc. The growing breed of agri-entrepreneurs is working towards improving farmer access to markets, quality inputs, institutional credit, and insurance. Consumers also benefit in the process with improved access to safe, nutritious, and affordable food. Industry and government gain access to reliable, timely, and accurate data for decision making and policy design for farmer welfare.

Talking about the evolution of Indian agritech, some of the key developments in Indian agritech in the last few years include:

- Farmer adoption has reached about 10 to 15% (approx. 20 million farmers), which is likely to reach more than 50% by 2025 and 90% by 2030, driven by tailwinds such as improving access to broadband, 4G and smartphone penetration, and increasing FPO adoption.
- Digital tech continues to dominate Indian agtech with over 90% of models centred around some digital innovation. Emerging areas, including deep tech, biotech, and nutrition tech, are likely to pick pace.
- Many Indian start-ups, especially the ones in data analytics, are going global (such as CropIn, SatSure, Intellolabs, and Borlaug Web Services, to name a few) and some global start-ups are entering the Indian market (such as Indigo, IBISA, Plantix).

- Corporate engagement is on the rise, with many corporates such as Nestle, Marico, ITC, UPL, Mahyco, Olam, Buhler, Godrej, Bayer, Syngenta, and BASF either partnering or investing in Indian agri start-ups.
- Government policies are the development of innovations and recognising agritech as a potential driver of growth.

Indian agri start-ups have the opportunity to solve problems of not only Indian farmers but also millions of smallholder farmers across the world, especially the ones in Africa, South Asia, and South-East Asia.

5.3 Agritech Solutions for FPOs

Indian agritech start-ups are trying to solve multi-dimensional problems prevalent in Indian agriculture, including low productivity, sub-optimal efficiency in the supply chain, and lack of access to markets, institutional credit, crop insurance, quality inputs, and market linkages.

The type of technological solutions required by FPOs in the various gamut of their operations is depicted in the figure 5.1.

There are many innovative solutions relevant for FPOs operating in Indian agriculture, horticulture, and livestock. The relationship between FPOs and start-ups is symbiotic as the majority of challenges faced by FPOs can be solved through partnerships. Some key solutions developed by start-ups for FPOs are listed below:

- **Aggregation, distribution and branding of farm produce for FPOs:** from the point of collection to consumption by building demand-driven tech-enabled supply chains (examples: Ninjacart, Samunnati, Bigbasket, Innoterra, WayCool, Agrowave, Vegrow, DeHaat, ShopKirana, SuperZop, Agrigator, Agribolo, Milklane, FarMart, easylokal, Eggoz, Maalexi, SMP Agro, Numer8, AquaConnect, Mango Dairies, Krishikan, Chlorohemp, ReshaMandi, and Krishi Sahyog). FPOs are also selling on commodity exchanges. There are 405 FPOs, comprising over one million farmers, who have traded over 100,000 tonnes on the NCDEX platform between 2016 and 2022.

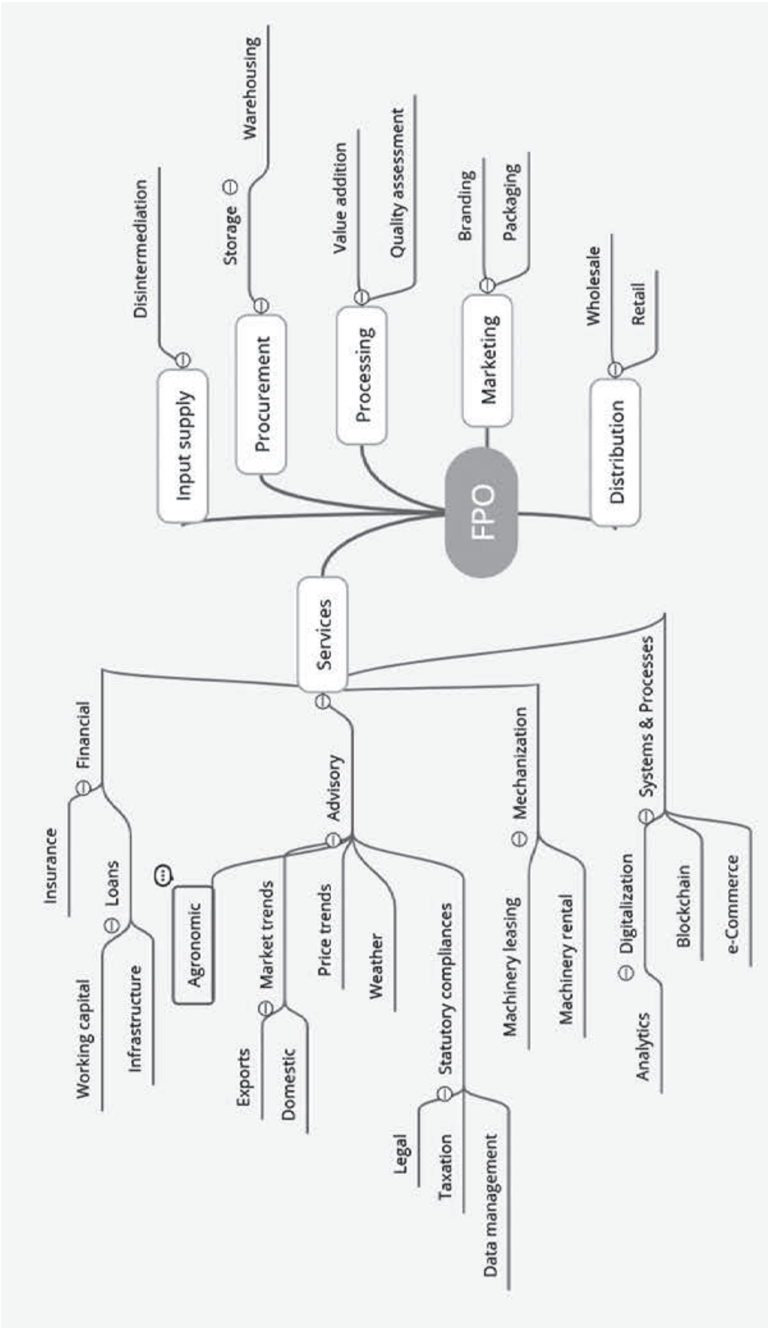


Figure 5.1: FPO Operations

The majority of business models are B2B models targeted to procure from farmers/FPOs and aggregators and sell to institutional buyers, modern trade, and Horeca segments. Such models are pervasive across categories, including staples, fruits, vegetables, milk, meat, poultry, and fibres. The market linkage model has been picked and many start-ups are doing volumes in thousands of tonnes daily. Start-ups typically pay farmers and FPOs within 24–48 hours of delivery. Many of them are also helping FPOs build farmer brands as demonstrated later in the chapter.

- **Quality assaying of agricultural commodities:** through image processing and digitisation of transactional data, price discovery and traceability (examples: Intellolabs, qZense, Raav Tech, InfyUlabs, Innotrace, Borlaug Web Services, Occipetal, Amvicube, Nanopix, TraceX, and SourceTrace).

  Many of these models are pivoting to become marketplaces. These solutions provide affordable, portable, and almost instant quality assessment, anywhere in the field, warehouse, cold store, processing unit and throughout the distribution chain. These solutions will also enable FPOs to remote trade their products.
- **Near-farm storage, warehouse and processing units:** with access to storage, post-harvest finance, processing and market linkage through digital and physical modes (examples: Our Food, S4S Technologies, Agri Bazaar, Star Agri, Arya. ag, Ecozen, Origo, Ergos, Promethean, Inficold, and Whrrl).

  Micro-warehousing and farm-level processing are likely to gain momentum with increasing demand for value-added foods. Asset financing models and banks' participation in warehouse receipt financing for farmers and FPOs can further drive the farm level storage and processing. This will also enable FPOs to earn extra income through value addition.
- **Access to quality agricultural inputs:** to farmers and FPOs based on farm and crop diagnostics (examples: Agrostar, BigHaat, Behtar Zindagi, Unnati, Gramophone, Freshokartz, Plantix, Hesa, EF Polymer, Bharat Rohan, and Bharat Agri).

  Though many FPOs have their dealership and shops, these start-ups provide access to good quality seeds, fertilisers, animal feed, and machinery. Some start-ups also offer credit, advisory and last-mile delivery to farmers' doorsteps.

- **Mechanisation solutions:** Start-ups are providing mechanisation solutions to FPOs and farmers through the pay-per-use model and innovative mechanical tools (examples: Sickle innovations, Distinct Horizon, Kamal Kisan, Mera Tractor, Tractor Junction, Khetibadi, Agrirain, Flybird, and Toolsvilla).

  There are a wide range of multipurpose mechanical tools, as well as high-end robotics/computer vision models available now, to bring efficiency in doing multiple farm operations. FPOs can benefit from the adoption of mechanisation solutions.
- **Data-driven crop monitoring and advisory to farmers and FPOs:** Farm advisory using data collected from the farm on soil, crop and weather using AI/ML tools is becoming mainstream (examples: SatSure, CropIn, RMSI, Stellapps, Fasal, Krishi Tantra, Poultrymon, AgRisk, and Skymet).

  The typical data points include soil health, soil moisture, farm boundaries, crop signatures, yield assessment, harvest schedule, predictive assessment of pest attack, etc. (in case of crops) and real-time monitoring of animal health/stress/diseases (in case of dairy and poultry). Many of these solutions are subscription-based and it becomes more affordable with FPOs buying the subscription than the individual farmers.
- **Fintech solutions for farmer and FPOs:** Data and digitisation is the precursor to innovative farmer and value chain financing models, which typically enables farmer KYC, onboarding, and digital tools for risk assessment.

  Many of these models continue to be phygital. (Examples: Samunnati, Jai-Kisan, PayAgri, Agrifi, and Grey Matter Technologies). Many mainstream banks are partnering with agritech start-ups to make the loan process efficient and cost-effective. FPOs can play a role in data collection, sharing, and loan repayment to make solutions seamless and efficient, with the adoption of fintech solutions.
- **Bioproducts:** includes bio fertilisers and stimulants to improve soil

nutrition, plant immunity and growth (examples: Bio Prime, Kan Biosys, Barrix, Converte, and EasyKrishi), especially for farmers in organic and natural farming.

Though biotech solutions continue to lag behind digital tech solutions in India, FPOs, especially in natural and organic farming, can play an important role in driving the penetration of bioproducts.

The innovation themes listed above are at various stages of evolution. The majority of them are B2B models scaling through a partnership with corporates, processors, distributors, traders, and retailers and off late partnering with FPOs to reach a larger farmer base. The market linkage, agri-input eCommerce and data-centric themes have picked momentum and scale, whereas other solutions are showing green shoots.

5.4 Investment Scenario in Indian Agritech

Investors have pumped in close to USD 2.5 billion in upstream agritech deals over the last decade and the momentum has started to pick up with over USD 2 billion invested in the last 36 months. In all probability, Indian agritech will continue to attract venture capital in the range of USD 500 million to 1 billion on annual basis in the foreseeable future.

Sector-agnostic investors are rapidly growing their participation, signifying the attractiveness of the sector. Many generalist funds are entering the space, including Arkam Ventures, Sequoia, Temasek, RTP Global, Tiger Global, Mirae Asset, Lightspeed Ventures, Elevation Capital, Avaana Capital, Prosus Ventures, and ABC World Asia. The seed investments from incubators, angels and micro-VCs are also picking up.

The sector is also witnessing a new type of corporate strategic investments from players such as Walmart, Mahindra & Mahindra, UPL, FMC, and Coromandel investing in start-ups synergistic to their businesses. Though corporate investment in agritech from traditional Indian agri-business is in the early stages, it is likely to pick up. Many corporates such as UPL (Nurture. farm) and ITC have invested in building their captive digital platforms. Innoterra has developed a full-stack platform for fruits, vegetables, staples and milk connecting thousands of farmers to consumers.

To date, there is no precedence of venture capital investment in an FPO but it's a matter of time that FPO who can demonstrate their ability to process, distribute, and build brands, will be able to attract the private capital.

5.5 Policy Driving FPO Adoption of Agritech Solutions

There have been several efforts at the central government as well as some state governments to take these innovations to farmers. In addition, there is an effort made by some of the Foundations and Not-for-profit enterprises to support technologies that positively impact smallholder farmers. All these efforts are a welcome sign; however, a co-ordinated and synergistic approach can go a long way to amplify the positive impact on farm economics.

The engagement of the government with agri start-ups with an objective to stitch start-up partnerships can go a long way in building a conducive ecosystem. The budget for the year 2022 had some very encouraging announcements for Indian agritech. Some of them, specific to both agritech and FPOs, are listed below.

5.5.1 Funding Support for Start-Ups Focusing on Rural Enterprises

The blended pool of capital for investment into agri start-ups through NABARD was announced in the budget. The capital will be used for value addition, IT tools application and providing farming as a service. This will enable partnership between start-ups and FPOs.

5.5.2 Farm-Level Processing and Value Addition

The budget announcement in promoting primary and secondary processing, as well as value addition in the Agri value chain, will go a long way in increasing farmer income. Farm-level processing can help farmers and FPOs sell products and brands, instead of commodities.

5.5.3 Focus on Kisan Drones and Agri Implements

The government is keen to promote the use of drones and mechanisation in Indian agriculture. With regulatory reforms in place, drone application in agriculture is at an inflection point for a spray of agrochemicals/nutrients, as well as data collection. Drones, which are still in pilot stage testing, have a huge role to play in enabling farm services. Many FPOs will potentially be the recipient of drone services and mechanisation solutions.

5.6 FPO Start-up Partnerships – Case studies

There are many FPO start-up partnerships. Five such case studies are discussed below, describing how agritech solutions from Innoterra, Samunnati, BWS, SatSure, and S4S Technologies have benefitted FPOs.

5.6.1 FPC Partnership Approach of Innoterra Platform

Since 2004, Innoterra, a Swiss-Indian food and tech platform, has developed capabilities across an integrated food value chain, including farmer engagement and training, tech-based farmer services, quality enhancement, packaging and branding support, along with distribution. Leveraging these capabilities, Innoterra has been able to create a model to partner with FPCs, where the efforts of the government are dovetailed with the company's capabilities, creating an ecosystem for packaged food products that enable FPCs to become more professional and viable organisations. Innoterra has a unique platform model that supports FPCs in a range of activities, with the end objective of developing farmer brands that are created, curated, and distributed in the B2B space, across general trade, modern trade, and e-commerce channels. Effectively, FPCs become compliance-ready and market-ready after a few weeks of hi-touch and hi-tech interventions:

To orchestrate this, Innoterra has signed MoUs with leading entities in the government, private, and impact sectors to connect with FPCs and service partners alike. These include FDRVC, NABARD Foundation, AEG Foundation, and Government of Haryana, etc. Through these MoUs, Innoterra has partnered with FPCs in more than 10 states for over 25 products across staples and fresh fruit categories, leveraging the company's retail distribution presence in major cities in India, for the fullest benefit of farmers.

Innoterra's efforts have already shown clear benefits to the farmers. In the clusters where Innoterra is working closely with FPCs, farmers see better price realisation, more scalable business opportunities and access to a host of support services that eventually create more sustainable and remunerative attractive livelihoods. Consumers have the advantage of differentiated products that come "straight from the farm," with assured quality and trust through end-to-end traceability. Retailers benefit from efficient ordering, robust fulfilment, and unique product attributes of the farmer brands.

5.6.2 Samunnati's Work in Taking Agritech Start-Up Krishitantra's Soil Testing Solution to Vizhuthugal Agricultural FPC

Krishitantra is an agritech start-up incepted in 2017, based out of Hyderabad, Telangana. Krishitantra has developed a device that is portable, easy to operate without requiring much technical knowledge, and can provide analysis of soil samples for 11 parameters within 30 minutes. The results are stored on the cloud storage and sent as an SMS to a farmer in six regional languages.

Samunnati has developed a robust farmer network of more than 500 FPOs, distributed across 22 states in India and is emerging as an ecosystem enabler. With Krishitantra, Samunnati facilitated a pilot to deploy their soil testing device at Vizhuthugal Agricultural Farmers Producer Company Limited (VFPCL) in Tamil Nadu. The objective of launching the pilot was to enable Krishitantra to demonstrate their device to the farmers and explain various key advantages of conducting soil testing before cropping season. As part of the pilot, Krishitantra deployed the device free of cost and Samunnati bore the charges of one cartridge, which can give a maximum of 100 tests.

The farmers benefitted from the effectiveness of the device to generate the report and the ease of getting the test report on their registered mobile numbers. The soil test report helped farmers to understand their field's soil profile, and nutrient availability and thus, plan the input required for the next rabi season as per the cropping plan. Many farmers reduced the quantity of urea that they applied into the field up to 30–40% after receiving the soil test report and thus reducing the cost incurred in production.

Table 5.1: How Does Innoterra Make a Difference to Farmer Brands?

Compliance	Process & Product Standardisation	Marketing & Distribution	Technology Integration	Support Services
• **License**: Product, Process, FPC • Packaging • Labelling • Quality Control • Certification	• Quality and Safety Standards, GMP • Nutrition Standards and Assessment • Legal Metrology • Advertising Claims Regulation • Lab Testing • Processing and Machinery	• Brand Development • Packaging design • Promotions, Social Media • Cobranding with Leading FMCG Players • Distribution warehouses in Key Cities/Access to Domestic and Export Market • **Market Linkages:** General Trade Modern Trade E-commerce	• Farm Traceability • QR Code Enabled Consumer Engagement • Ready To Scale Platform • **Digitised Operations:** Capacity Building Accounting software Integration Payments Order Taking Order Servicing	• Online and Offline Learning Module: Across Compliance, Process/Product, Marketing and Distribution, Technology • Agronomy & Farm Services • Credit Services • Input Services • Assistance in Availing Government Incentives

5.6.3 Borlaug Web Services (BWS) Digitising FPOs

Digital solutions need to address governance, operational visibility, financial transparency, and quality data for better demand management across the value chain. Borlaug Web Services™ (BWS) is partnering with FPOs to digitise their operations, optimise processes, manage FPO members, and provide sub-tier visibility for both buyers and FPO management. Using a purpose-built Blockchain SaaS platform, the early tier of the sourcing process is moving towards a decentralised structure that enables reliability, accountability, visibility, and compliance. The main idea is to evaluate, assess, and assure the quality of data in value chains that are prone to non-compliance and fraudulent practices, such as honey and coffee. BWS is working in the honey value chain with women-led FPOs across 120 tribal villages in the Malda district in West Bengal and the coffee supply chain traceability in Uganda.

BWS blockchain SaaS platform provides real-time production monitoring, process efficiency, farm audits, inventory visibility, and financial transparency, thereby reducing wastage, non-compliance, errors, time and costs associated with invoicing reconciliation, warehouse transactions, sustainability reporting, tracking, and enhanced quality checks. The Farm-to-Farmer mapping and continuous production monitoring provide sub-tier level visibility to both producers and buyers. It is a digital platform enabling a secure and traceable marketplace for internal transactions between the farmer and FPO, as well as external trades with buyers. Data generated at various touchpoints is verifiable, traceable, transparent, and immutable, creating greater efficiency across key business functions.

5.6.4 SatSure Enabling Credit Lending and Portfolio Planning for FPOs

FPOs in India lack access to accurate data, and SatSure aims to ensure that data is available for better decision making. SatSure has demonstrated the possibility of space data application for solving agricultural problems through its work with Farmer Producer Organisations (FPOs) across India.

SatSure partnered with Samunnati, which is engaged in FPO credit lending and market linkages. To ensure transparency, SatSure helps the FPOs monitor the performance of the villages and farms under its portfolio. The data insights help organisations proactively plan resource allocation, field activities, and market linkages. The FPO partners were also assisted to create the Agriculture and Market Advisory Model.

SatSure delivers multiple datasets across the cropping cycle monitoring historical and current crop area, crop health and moisture condition, harvest progression, and yield estimations by digitising the farm boundaries. The crop data was delivered at different granularities, village and farm, along with weather data at the taluka/district level. The datasets used are regularly updated from various sources, such as government or satellite data from commercial organisations.

SatSure is leveraging its open innovation platform to assist the Farmers Producer Organisations (FPOs) in accessing credit for itself and its member farmers. Using SatSure Sparta, the FPOs can monitor their portfolio farms and better plan their resource allocation, field activities, and market linkages.

5.6.5 S4S Technologies: Market Linked Solar Powered Food Processing for the Members of FPO

S4S and FPOs partner to encourage the members of FPOs who are women smallholder farmers to take up processing for enhancing farmer income. S4S Technologies transforms farmers to become processors by providing end-end requirements for food processing technology, access to finance, and market linkage.

FPO, along with S4S, inform the members of the FPOs regarding the benefits of food processing. They do this by creating demo centres in the villages. After the interest is received by the FPO, the FPO team does due diligence on the women farmer (and her family) who has applied to be enrolled in the processing programme offered by the farmer. The diligence is done based on the selection criteria pre-determined by S4S and FPO. The selected women farmers are on-boarded to the S4S platform by completing the following necessary steps:

- Digital KYC process on the S4S platform

- Loan processing from the partner bank
- Create a dedicated area for processing
- Complete the training and capacity development workshop organised by S4S Team on financial, nutritional, and entrepreneurship training
- Pass the Initial Quality Test taken by S4S Team
- Complete the operations training along with training of the S4S Digital App

S4S is currently working with eight FPOs across three states: Maharashtra, Odisha, and Tamil Nadu. The Company has created 800 Women Micro-Entrepreneurs with an assured additional income and increased their profits by 50–200% annually. Money directly goes into the hand of the woman, making her the breadwinner of the family, thus providing the better decision for women at the household level. The commodities processed include ginger, onion, garlic, tomato, maize, chana, and turmeric. Processing done by women farmers has resulted in a reduction of post-harvest losses worth 40,000 tonnes, translating into a saving of 300,000 tonnes of CO2 emissions in the environment.

5.7 Conclusion

Coincidentally, both the Agri start-up and the FPO ecosystem in India evolved almost at the same time. However, both ecosystems are still not osmotic with each other. The power of innovation coupled with the power of aggregation of farmers and farm produce is the panacea for most farming problems.

FPOs require services for market linkage, acquiring agri inputs, access to data and advisory, mechanisation, financing, post-harvest processing, warehousing, sorting, and grading. Innovation across most of these service categories, business models that involve working with FPOs may make it more viable for start-ups to offer these services at scale.

FPOs are improving farmers' financial ability to engage with start-ups and access innovations; however, many challenges remain. A large number of FPOs do not have awareness of the new-age solutions. Another challenge is the risk appetite of farmers since they have not tried these solutions. FPOs want to trust advice to experiment with these solutions.

Typically, market linkage, processing and fintech models have quicker adoption as the benefits to farmers are visible and quantifiable. Solutions around data and advisory take time as the benefits may accrue over a period of time.

Initially, very few start-ups thought of FPO as a go-to-market but it is increasingly becoming evident that FPOs will be one of the primary target customer segments for agri start-ups going forward. This symbiotic relationship plays a pivotal role in enabling FPOs access to markets, credit, inputs, and advisory.

Primary processing including sorting, grading, and packing with access to new-age distribution models can help build “farmer brands” for FPOs, especially in commoditised categories like fruits, vegetables, rice, spices, etc. Traceability solutions can go a few steps further in building technology-enabled trust between farmers and consumers.

A strong ecosystem to catalyse FPO-start-up partnerships is the need of the hour, where the government bodies, investors, universities, industry bodies, and incubators can play a meaningful role. Efforts need to be made to build more interactions, collaborations, and pilots to accelerate the adoption of new technologies by FPOs.

List of Tables

List of Abbreviations

ABF	Axis Bank Foundation
ACBCs	AgriClinic / AgriBusiness Centre
ACF	Ambuja Cements Foundation
ADB	Asian Development Bank
AIF	Agriculture Infrastructure Fund
AIP	Agribusiness and Innovation Platform
AOA	Articles of Association
APC	Anand Pattern Co-operatives
APEDA	Agricultural and Processed Food Products Export Development Authority
APMC	Agricultural Produce Marketing Committee
ASA	Action for Social Advancement
B2B	Business-to-Business
B2C	Business-to-Consumer
BCTS	BASIX Consulting and Technology Services Ltd
BIJ	Bharat India Jodo
BIRD	Bankers Institute of Rural Development
BMGF	Bill and Melinda Gates Foundation
BODs	Board of Directors
BTDP	Bihar Tribal Development Project
BWFPC	Bethalaswamy Women Farmers Producer Company
BWS	Borlaug Web Services
CARD	Centre for Agriculture and Rural Development
CBBOs	Cluster-Based Business Organisations
CEOs	Chief Executive Officers
CF	Contract Farming
CFTRI	Central Food Technology Research Institution
CGF	Credit Guarantee Fund
CHC	Custom Hiring Centres
CHIRAAG	Chhattisgarh Inclusive Rural & Accelerated Agriculture Growth Project

CIGs	Common Interest Groups
CIKS	Centre for Indian Knowledge Systems
CIMCOB	Central Institute of Management for Consumer Business
CLF	Cluster Level Federations
CPCL	Cofe Farmer Producer Company Limited
CRM	Customer Relationship Management
CSOs	Civil Society Organisations
CSR	Corporate Social Responsibility
CSS	Central Sector Scheme
CWCPCL	Chirayu Women Crop Producer Company Limited
DAC&FW	Department of Agriculture and Farmers Welfare
DAS	Deduction-At-Source
DAY-NRLM	Deendayal Antyodaya Yojana – National Rural Livelihood Mission
DFC	Development Finance Corporation
DIN	Directors Identification Number
DPIP	District Poverty Initiative Project
DRE	Decentralised Renewable Energy
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
ELI	Eligible Lending Institution
eNAM	National Agriculture Market
EU	European Union
FC– IRDM	Faculty Centre for Integrated Rural Development and Management
FDRVC	Foundation for Development of Rural Value Chain
FICCI	Federation of Indian Chambers of Commerce & Industry
FMS–IRM	Faculty of Management Studies – Institute of Rural Management
FPCs	Farmer Producer Companies
FPOs	Farmer Producer Organisations
FWWB	Friends of Women's World Banking
GBPUA&T	GB Pant University of Agriculture and Technology
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbei
GKVK	Gandhi Krishi Vigyana Kendra
GST	Goods and Service Tax

GUJPRO	Gujpro Agribusiness Consortium Producer Company Limited
HUF	Hindustan Unilever Foundation
I&CSC	Investment and Claims Settlement Committee
ICAR	Indian Council of Agricultural Research
ICRISAT	International Crops Research Institute for the Semi-Arid Tropics
ICT	Information and Communication Technologies
IFHD	India Foundation for Humanistic Development
IIBM	Indian Institute of Banking Management
IMPS	Immediate Payment Service
INDOCERT	Indigenous Certification Body in India
IOFPCL	India Organic Farmers Producer Company Ltd
IRMA	Institute of Rural Management, Anand
ISAM	Integrated Scheme for Agricultural Marketing
JNKVV	Jawaharlal Nehru Krishi Viswa Vidyalaya
KFPCL	Kalisindh Farmer Producer Company Ltd
KVKs	Krishi Vigyan Kendras
KYC	Know Your Customer
LEAP	Livelihood Enhancement through Market Access and Women Empowerment programme
LGD	Local Government Directory
LINAC	Laxmanrao Inamdar National Academy for Co-operative Research and Development
MABIF	Madurai Agribusiness Incubation Forum
MACP	Maharashtra Agriculture Competitiveness Project
MAGNET	Maharashtra Agribusiness Network
MANAGE	National Institute of Agricultural Extension Management
MARTP	Maharashtra Agri-Business and Rural Development Project
MBCFPC	Madhya Bharat Consortium of Farmers Producer Company
MFIN	Microfinance Institutions Network
MIS	Management Information System
MIX	Microfinance Information Exchange
MKSP	Mahila Kisan Sashktikaran Pariyojana

MOA	Memorandum of Association
MOOC	Massive Open Online Courses
MoRD	Ministry of Rural Development
MPCs	Milk Producer Companies
MSMEs	Micro, Small and Medium Enterprises
MSP	Minimum Support Price
MYRADA	Mysore Resettlement and Development Agency
NABARD	National Bank for Agriculture and Rural Development
NAFED	National Agricultural Co-operative Marketing Federation
NAFPO	National Association for Farmer Producer Organisations
NBFCs	Non-Banking Financial Companies
NCA	National Commission on Agriculture
NCDC	National Co-operative Development Corporation
NCDEX	National Commodity & Derivatives Exchange Limited
NDDB	National Dairy Development Board
NEFT	National Electronic Funds Transfer
NeKM	NAFED e-Kisan mandis
NERAMAC	North Eastern Regional Agricultural Marketing Corporation Limited
NFPCL	Nachalur Farmers Producer Company Ltd
NFSM	National Food Security Mission
NGO	Non- Government Organisation
NIAM	National Institute of Agricultural Marketing
NIRB	National Institute of Rural Banking
NIRDPR	National Institute of Rural Development and Panchayati Raj
NLSIU	National Law School of India University
NPMA	National Project Management Agency
NRLM	National Rural Livelihood Mission
NRLP	National Rural Livelihoods Project
NSPDT	National Smallholder Poultry Development Trust
NTFP	Non-Timber Forest Products
ODOP	One District One Product
PACS	Primary Agriculture Cooperatives
PAs	Promoting Agencies
PAU	Punjab Agricultural University

PEs	Producer Enterprises
PGDM	Post Graduate Diploma in Management
PGs	Producer Groups
PJTSAU	Professor Jayashankar Telangana State Agricultural University
PM FME Scheme	PM Formalisation of Micro Food Processing Enterprises Scheme
PMAFSC	Project Management Advisory and Fund Sanctioning Committee
PODF	Producers Organisation Development Fund
POPI	Producer Organisation Promoting Institution
PRADAN	Professional Assistance for Development Action
ProCIF	Producer Entrepreneurship Catalyst and Incubation Facility
PRODUCE	Producers' Organisation Development and Upliftment Corpus
PROVAC	a Producer-Value Adder- Consumer
PSFPO	Promotion and Stabilisation of Farmer Producer Organisations
PSMP	Primary Sector Mission Project
RACP	Rajasthan Agriculture Competitiveness Project
RBI	Reserve Bank of India
RF	Reliance Foundation
RIs	Resource Institutions
RKMVERI	Ramakrishna Mission Vivekananda Educational & Research Institute
RM	Rural Management
ROC	Registrar of Companies
RPCL	Rupnagar Producer Company Ltd
RRBs	Regional Rural Banks
RRPPCL	Ram Rahim Pragati Producer Company Ltd
RTGS	Real Time Gross Settlement
SDGs	Sustainable Development Goals
SFAC	Small Farmers Agri-Business Consortium
SFI	Syngenta Foundation, India
SHGs	Self-Help Groups

SLPCs	State Level Producer Companies
SMS	Short Message Service
SRIJAN	Self Reliant Initiatives through Joint Action
SRLM	State Rural Livelihood Mission
TCI	Tata-Cornell Institute
TRPCL	Telangana Rythu Producer Company Limited
TS-SERP	Telangana State – Society for Elimination of Rural Poverty
UPI	Unified Payments Interface
UPNRM	Umbrella Programme for Natural Resource Management
UPPRO	UPPRO Kisan Producer Company Limited
USAID	United States Agency for International Development
USD	United States Dollar
USDA	United States Department of Agriculture
VAMNICOM	Vaikunth Mehta National Institute of Co-operative Management
VAPCOL	Vasundhra Agri Horti Producer Company Limited
VFPCL	Vizhuthugal Agricultural Farmers Producer Company Limited
VLPCs	Village Level Procurement Centres
VOs	Village Organisations
WASH	Water, Sanitation and Hygiene
WDD	Watershed Development Department
XSRM	Xavier School of Rural Management
YTD	Year to Date Returns

References

1. https://www.nafpo.in/fpo-login/
2. https://pib.gov.in/PressReleasePage.aspx?PRID=1739593
3. https://agricoop.nic.in/sites/default/files/NITI%20Aayog%20Policy%20Paper.pdf
4. https://pib.gov.in/PressReleasePage.aspx?PRID=1739593
5. https://pib.gov.in/PressReleseDetail.aspx?PRID=1696547
6. http://sfacindia.com/UploadFile/Statistics/Formation%20&%20Promotion%20of%2010,000%20FPOs%20Scheme%20Operational%20Guidelines%20in%20English.pdf
7. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1818764
8. https://agriinfra.dac.gov.in
9. https://livelihoods-india.org/publications/all-page-soil-report.html
10. http://sfacindia.com/Equity_grant.aspx
11. http://sfacindia.com/UploadFile/Statistics/SLPC.pdf?v65878741.8974568
12. http://sfacindia.com/PDFs/FPO%20Policy%20&%20%20Process%20Guidelines%20%201%20April%202013.pdf
13. http://www.indianspices.com/sites/default/files/FPO_List_2021.pdf
14. https://coconutboard.in/EPC/cps_search.aspx
15. http://sfacindia.com/PDFs/Tenders/Notice-Empanelment-of-CorporateOrganizations-CSS-Formation-and-Promotion-of-10000-FPOs.pdf
16. http://sfacindia.com/PDFs/List-of-FPO%20identified-by-NONSFAC/Self_Promoted_FPOs. pdf?var=9958569.25855
17. Fields of Change: Managerial Insights on FPOs in India
18. https://pib.gov.in/PressReleasePage.aspx?PRID=1783870#:~:text=Agriculture%20Infrastructure%20Fund%20aims%20at,infrastructure%20and%20community%20farming%20assets.
19. Preamble of the National Policy For The Promotion Of Farmer Producer Organisations issued by the Dept. Of Agriculture And Cooperation; Ministry Of Agriculture Govt. Of India (2013); reiterated in the Message from the Minister of

Agriculture & Farmers' Welfare, Rural Development and Panchayati Raj, in the document on Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs) Operational Guidelines (2020)

20. Turning Students To Rural Managers, IRMA Is Continuing Dr Varghese Kurien's Legacy, The Logical Indians 20 Oct 2019 11:30 AM (https://thelogicalindian.com/story-feed/awareness/irma-anand-institute/)
21. https://www.fpojunction.com
22. https://agriinfra.dac.gov.in/Content/DocAttachment/FINALSchemeGuidelinesAIF.pdf
23. https://www.indiabudget.gov.in/budget2015-2016/es2014-15/echapvol1-08.pdf
24. https://pib.gov.in/newsite/PrintRelease.aspx?relid=111841#:~:text=Processing%20of%20Agricultural%20Produce&text=As%20per%20the%20study%20conducted,during%20the%20year%202010%2D11
25. https://www.ambujacementfoundation.org/programs/agriculture/farmer-producerOrganizations
26. https://www.reliancefoundation.org/documents/20182/120361/AR-2020-2021/ac032ee8-6d5d-4f78-98dd-d43525157789
27. https://selcofoundation.org/wp-content/uploads/2021/12/SF_Institutionalisationof-SDG7-Sustainable-Energy-Access-As-A-Catalyst-for-Development.pdf
28. https://www.smsfoundation.org/farmer-producers-Organizations-and-agriculturaldevelopment/)
29. https://tanagerintl.org/2021/02/19/psfpo_pressrelease/
30. https://www.financialexpress.com/economy/uttar-pradesh-govt-develops-indiasfirst-fpo-portal/2217322/
31. Indian Journal of Agriculture Economics – pg 40
32. Annual Report 2014-15 – pg 5, 29, 32
33. ABF – Annual Report – 2019-20
34. https://www.indiainfoline.com/article/news-sector-banking-financials/hdfc-bankintegrates-with-govt-of-india's-national-agriculture-market-e-nam-to-reach-over-1- 71-crore-farmers-121111200729_1.html
35. https://samunnati.com/
36. https://www.icrisat.org/increased-productivity-for-indian-farmers-through-farmerproducer-Organizations/
37. https://www.icrisat.org/more-farmers-and-fpos-to-adopt-hybrid-pigeonpeatechnology

38. http://guidestarindia.org/Activites.aspx?CCReg=7622); (https://www.nafpo.in/fpobusiness-incubation/)
39. https://news.cornell.edu/stories/2021/09/new-hub-promotes-farmer-producerOrganizations-india
40. https://www.adb.org/news/adb-approves-100-million-loan-agribusinessdevelopment-india
41. https://knnindia.co.in/news/newsdetails/sectors/dfc-and-usaid-offer-usd-55-mncredit-guarantee-to-fpos-for-clean-technologies

Authors' Profiles

1. Prof. M S Sriram

Professor M S Sriram is a faculty member of IIM Bangalore and is currently the Chairperson of the Centre for Public Policy. Before this, he was the ICICI Bank Lalita D Gupte Chair Professor in Microfinance at IIM Ahmedabad. He is a graduate from the Institute of Rural Management Anand and a Fellow of IIM Bangalore. Prof. Sriram had chaired the Expert Committee on Kerala Co-operative Bank; was on the External Advisory Committee of the RBI for licensing Small Finance Banks, and was on the Financial Inclusion Advisory Committee of the RBI and on the Expert Committee on Primary Co-operative (Urban) Banks set up by the Reserve Bank of India. He serves on the boards of AU Small Finance Bank, NDDB Dairy Services, Indian Dairy Machinery Company, Selco Solar Light Private Limited and Centre for Budget and Policy Studies. He is also a Trustee of Pratham Books, Sanket Trust (that runs Ranga Shankara in Bengaluru) and Dastkar Andhra.

2. Mr Hemendra Mathur

Mr Hemendra Mathur works as a venture partner with Bharat Innovation Fund and is co-founder of ThinkAg. He is also a strategic advisor to Innoterra. Mr Mathur advises multiple funds, foundations and corporates on investments and strategies pertaining to the food and agritech sector. He is also the chair of the task force on agri start-ups at FICCI. He is an alumnus of IIM Ahmedabad and a graduate in agricultural engineering from Rajasthan Agricultural University.

3. Dr Sankar Datta

Dr Sankar Datta is a development explorer who is still looking for a better way to serve the people. He has been engaged in promoting the livelihoods of the poor by linking them to various value chains and supporting them through microfinance for more than three decades. His experience combines practice (spearhead team leader at MPOILFED, programme director at PRADAN, and managing director at IGS, a BASIX Group Company) and academics (faculty at IIM Ahmedabad, IRMA, Azim Premji University). Dr Sankar was instrumental in setting up the Institute of Livelihood Research and Training and was its founding dean. He has also been a part of various policy fora including the task force for drafting the 12th Five Year Plan, Planning Commission; Livelihood Advisory Group; ACCESS; among others.

4. Mr Emmanuel Murray

Mr Emmanuel Murray joined Caspian in November 2016, to lead market development and institution building efforts with a focus on the Food & Agriculture space. Prior to joining Caspian, he spent five years with Maanaveeya Development & Finance Ltd, the Indian subsidiary of Oikocredit (a Netherlands-based International Development Finance Co-operative), as Deputy Managing Director, in charge of operations. Prior to this, he worked for 25 years with NABARD across various departments and geographies and his final role was as General Manager in Himachal Pradesh. He holds a B Com (Hons) from Osmania University, Hyderabad, a Postgraduate degree in Rural Management from the Institute of Rural Management, Anand (IRMA), and an M. Phil in Development Studies from the Centre for Economic & Social Studies, Hyderabad.

5. Dr Gouri Krishna

Dr Gouri is a management professional with over three decades of work experience. She worked for a decade with the BASIX group. Initially as Dy Dean of Institute of Livelihood Research and Training, a not-for-profit entity of the group and subsequently as CEO and Managing Director of

BASIX Consulting and Technology Services Ltd (BCTS). Prior to joining BASIX Group, she worked in varied sectors including State Government Undertaking, Media and Educational institute. She holds a Post Graduate Diploma in Rural Management from the Institute of Rural Management, Anand (IRMA), a Post-Graduation degree from Osmania University and a Doctorate from Golden State University. She has experience of working with grassroots level community-based organisations such as Co-operatives, Self Help Groups, and Farmer Producer Organisations.

6. Ms Ranchitha Sivaram

Ms Rachitha is a Development Professional with more than eight years of experience in the Rural Development sector. She holds a B.Tech degree in Agriculture Engineering from Tamil Nadu Agricultural University and a PGDM in Rural and Agri-Business Management from Prin. L.N. Welingkar Institute of Management Development & Research. She works as a Development Consultant for the Organisations supporting Rural Development in Research, Documentation and Analysis, Impact Assessments, Guiding Farmer Producer Organisations, Case Studies, Value Chain Studies, Sustainable Agriculture, Programme Planning and Implementation. During her work tenure, she has trained multiple stakeholders across different states on Farmer Producer Groups, Village Development Plans, Women Empowerment, Sustainable Agriculture, and Water Conservation Programmes and enabled Community Resource Persons to anchor projects at the field level.

7. Mr Vedprakash Singh

Mr Vedprakash Singh is a development professional with a Master's in Public Policy from National Law School of India University (NLSIU, Bengaluru), working in the domain areas of research, advocacy, capacity-building, partnership building and business development at the interface of livelihoods, enterprise building and gender. He worked in the areas of policy consulting, tribal development, public transport, WASH, and legal policy sectors. With strong interests in livelihood development of the rural sector and gender at the focal point, his work is focused on small and marginal producers and strengthening their position in the value chain.

8. Mr Anish Kumar

Mr Anish Kumar is the Trustee for NAFPO and has invested over 20 years in working for small and marginal farmers. He has been on the leadership team at India's leading non-profit PRADAN, working on rural transformation. He integrated the finance function, involving raising resources, statutory compliance, and building and managing linkages with stakeholders. His areas of expertise include creating business organisations run by poor communities and facilitating the participation of small-holder farmers in modern value chains. Mr Anish has developed and piloted the small-holder poultry prototype; was the CEO of the first poultry co-operative; and then scaled up the model across new geographies. He is a Board member of the National Smallholder Poultry Development Trust, an advisory and policy advocacy body. He has been a member of the Planning Commission Working Group on disadvantaged farmers and has been involved in designing policies on producer collectives. Currently, he is leading Transform Rural India as the Managing Director.

9. Ms Aneesha Bali

Ms Aneesha Bali anchors NAFPO activities as the Lead for Institutions and Partnerships. She is currently responsible for strategising key activities, enhancing efficiency by strengthening foundational attributes and integrating strategies into actionable plans. She also works on building partnerships with stakeholders to facilitate opportunities to fulfil the objective of NAFPO. She has previously worked with Rajasthan State Rural Livelihood Mission with women-led federations in establishing strong community institutions (including FPOs), local livelihood models and convergence with government schemes. Ms Aneesha Bali holds a post-graduation degree from Tata Institute of Social Science, Mumbai in Livelihoods and Social Entrepreneurship.

Disclaimer: The authors and the organisation do not promote any particular organisation, cause or initiative, and work independently. The opinions shared by the authors are personal.

Our Partners

Primary Partners

1. Amarkantak Horticulture Producer Company Limited
2. Bhuamrit Farmer Producer Company Limited
3. Bidar Horticulture Farmer Producer Company Limited
4. Deori Farmer Producer Company Limited
5. Devitanla Farmers Producer Company Limited
6. Ekta Nature FPC
7. Ghummar Mahila Producer Company Limited
8. Greencore Producer Company Limited
9. Gujpro Agribusiness Consortium Producer Company Limited
10. Jaisinagar Soya Samriddhi Producer Company Limited
11. Jaysardar Krushi Vikas FPC
12. Kalanka Prerana FPC Limited
13. Kanha Krishi Vanopaj Producer Company Limited
14. Krushishakti Farmers Producer Company Limited
15. Madhya Bharat Consortium of Farmer Producer Companies Limited
16. Mahakisan FPC Limited
17. Mahila Dairy Farmers Producer Company Limited
18. Narishakti Agri Producer Company
19. Piplyabawdi Prerana FPC Limited
20. Pragdev International FPC Limited
21. Prakrishi Farm Producer Company Limited
22. Pudhugai Organics
23. Rajashree Farm Producer Company Limited
24. Rayat FPC Limited
25. Rufata Prerana FPC Limited

26. Rupnagar Producer Company Limited
27. Saivishwa Farmer Producer Company Limited
28. Samagra Organics Farmer Producer Company Limited
29. Sonkhedi Prerana FPC Limited
30. Tamil Nadu Consortium of Farmer Producer Company Limited
31. Telengana Rythu Producer Company Limited
32. Uppro Kisan Producer Company Limited
33. Uttari Chotanagpur Progressive Farmer Producer Company Limited
34. Vidarbha Agricultural & Allied Producer Company Limited (VAAPCO)
35. Velliangiri Uzhavan Farmer Producer Company (Isha Outreach)
36. VL & Sons Agro Food Producer Company Limited
37. Halar Farmer Producer Company Ltd
38. Agrobuys Farmer Producer Company
39. Devsurya Himalaya Organic farmer Producer Company Ltd.
40. CSC Thiruvallur Poondi Farmer producer Company Ltd.

Institutional Partners

1. Access Livelihoods Group
2. BASIX
3. Billiondeals Enviro Smart Technologies (B.E.S.T.)
4. Centre for Indian Knowledge Systems (CIKS)
5. Chaitanya Rural Development Society
6. CTRAN Consulting Ltd
7. Darbar Sahitya Sansada (DSS)
8. Dhwani Rural Information System
9. Digital Green
10. Friends of Women's World Banking (FWWB)
11. India Foundation for Humanistic Development (IFHD)
12. India Grameen Services
13. Institute of Rural Management Anand (IRMA)
14. International Crops Research Institute for the Semi-Arid Tropics (ICRISAT)

15. Krushi Vikas Va Gramin Prashikshan Sansthan
16. Kshamta Foundation
17. Mahila Abhivurdhi Society (APMAS)
18. M-CRIL
19. National Agro Foundation
20. Patanjali Organic Research Private Limited
21. PRADAN
22. Reliance Foundation
23. Samavit Vikas Private Limited
24. SEARCH
25. Seven Sister Development Assistance (SeSTA)
26. Social Advancement Ventures Foundation, Hyderabad
27. SRIJAN
28. Transform Rural India Foundation (TRIF)
29. Vrutti
30. Action for Agricultural Renewal in Maharashtra (AFARM)
31. Kummari Saibaba
32. Environment Conservation Society (SwitchON Foundation)

Business Partners

1. Asm Krishiyog Agritech Private Limited Avanti Finance Limited
2. Cloverorganic
3. Dvara E-Registry
4. EmerTech Innovations Private Limited
5. Farmmonk Innovations Private Limited
6. HDFC Bank Limited
7. Intellecap Limited
8. J K Agrigenetics
9. Kamatan Farm Tech Private Limited
10. Krishi Kumbh
11. NinjaCart
12. Sagri Bengaluru Private Limited
13. Samunnati Agro Solutions Pvt Ltd

14. Samunnati Financial Intermediation and Services Private Limited
15. SBI General Insurance
16. Sonecha & Amlani Chartered Accountants
17. Syngenta Foundation India
18. Tractors and Farm Equipment Limited (TAFE)
19. YUKT
20. Zoom Insurance Brokers Private Limited
21. Ninjacart
22. JK Saini And Associates (Chartered Accountants)
23. RK Doshi & Co. LLP

“With the increased momentum in promoting FPOs recently, much has been written on the successes of the past and challenges of the present. But none that’s as comprehensive as this 2022: State of Sector Report - Farmer Producer Organizations in India. Through real-life case studies and in-depth analysis, several eminent authors have reflected on a wide range of issues relevant for the sector. The importance of competent promoting agencies for capacity building of FPOs and an enabling policy environment - as key components of the ecosystem required to realise the potential of collectives - is well brought out in the report. Underscoring the vital role of technology in strengthening and scaling the FPOs is another contribution of the report. Additionally, I am sure all the stakeholders will find the data and information presented in the report very valuable in carrying out their day-to-day work.”

S. Sivakumar, Group Head - Agri & IT Businesses, ITC Limited

“The ecosystem to strengthen the FPOs plays a crucial role in establishing successful business enterprises of farmers. 2022: State of Sector Report - Farmer Producer Organizations in India highlights the status of ecosystem players and the challenges in accessing the services by FPOs comprehensively. The report provides an overview of the needs of the FPOs for credit, markets, capacity building and technology and the present avenues available for such support and the corresponding challenges in accessing. The report offers an interesting perspective of the origin and evolution of the FPOs over a decade by tracing their evolutionary journey. With major plans and programs in place to support smallholder farmers through FPOs, a status report annually will be of great value.”

Arindom Datta, Executive Director, Rabobank

authors UPFRONT

Samunnati

Cover design: Neena Gupta

Non-fiction

9 789394 887022

₹395

www.authorsupfront.com