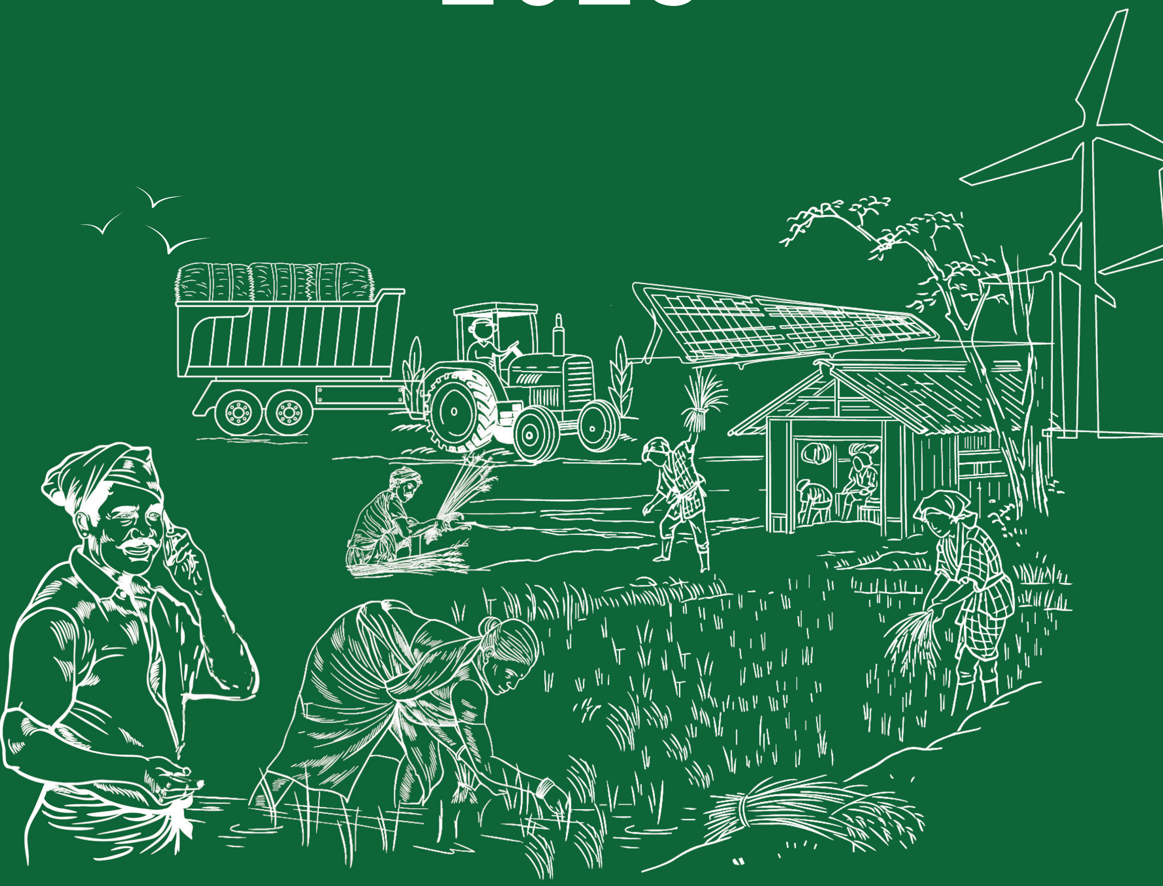
State of the
SECTOR REPORT
2025



FARMER PRODUCER ORGANISATIONS IN INDIA

State of the SECTOR REPORT 2025

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NAFPO
NATIONAL ASSOCIATION FOR FARMER PRODUCER ORGANISATIONS
REPRESENTATION | COLLABORATION | TRANSFORMATION

Samunnati

Rabo Foundation

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About NAFPO

NAFPO: The Apex Voice and Enabler of India's FPO Movement

National Association of Farmer Producer Organisations (NAFPO) is a multi-stakeholder-owned apex organisation that has emerged as the collective voice of the Farmer Producer Organisation (FPO) community in India. It is dedicated to building a strong and enabling ecosystem for FPOs through institutional development, business stabilisation, and inclusive growth.

NAFPO leads through action – designing and implementing ground-level solutions that directly strengthen FPOs and their federations. It advocates for FPOs across policy platforms and engages with stakeholders ranging from government and financial institutions to civil society and private sector players.

By addressing systemic challenges related to financing, professional management, and market access, NAFPO plays a key role in mainstreaming farmer institutions. It operates at the meso level to coordinate collective efforts while supporting the resilience and sustainability of individual FPOs. With its strategic presence and executional capacity, NAFPO continues to shape and scale India's FPO movement for farmer prosperity.

Acknowledgements

The *State of the Sector Report on Farmer Producer Organisations* (SOFPO), *2025* emerges in a pivotal moment for the country's FPO landscape, which has been growing exponentially in both size and diversity. With over 40,000 active FPOs now shaping agricultural transformation, we are deeply grateful to the multitude of stakeholders – grassroots organisations, Promoting Institutions, policymakers, and ecosystem enablers – who have engaged with NAFPO over the past year. Their insights and lived experiences have added richness and depth to this publication, reinforcing our belief that dialogue is the cornerstone of progress.

We extend our appreciation to **Aashish Argade**, Assistant Professor at IRMA and Editor of this volume, for bringing academic rigour to the report. His research on agriculture and food marketing is grounded in field realities and bridges practice and theory seamlessly.

We extend special thanks to **Samunnati**, our long-standing partner, for their continued support in convening the FPO Conclave and amplifying the voices of grassroots institutions. Their commitment to collectivisation and market access, as envisioned by founder **Anil Kumar SG**, resonates strongly with the ethos of this report. We are glad to have support of **Poorna Pushkala** from the Samunnati Foundation, whose thoughtful contributions and sectoral knowledge helped shape this edition.

A heartfelt appreciation to our authors, whose collective expertise has shaped SOFPO 2025 with both scholarly depth and field pragmatism. Development economists **Travis Lybbert** and **Ashish Shenoy**, both from UC Davis, anchored sections with research on technology adoption, migration, and poverty dynamics. **Raghav Raghunathan**, currently pursuing his PhD at Wageningen University, infused global academic rigor paired with his foundational work at NCDEX. Innovation and systems thinking came through in contributions from **Suranjana Ghosh** and **Vartika Agarwal** of Marico Innovation Foundation (MIF) – leaders in scaling impact and supporting clean-tech agri-startups. **Priyadarshini Ganesan** of Dvara Research added vital nuance on finance, climate resilience, and inclusive systems, rooted in deep engagement with underserved communities. **Syed Mansoor Abbas Naqvi** brought decades of grassroots wisdom from Transform Rural India, spotlighting the role of leadership and social innovation in empowering rural livelihoods.

Kudos to **Vijayaragavan Ramanujam**, a core part of the NAFPO team, for his tireless planning and execution across the report's many moving parts. He also led the design of the Ease of Doing Business (EoDB) survey, synthesising field-level insights and stakeholder inputs into actionable research. His analytical lens helped interpret the data to uncover key trends that can be valuable to policy makers in various state governments. **Aneesha Bali**, with her long-standing experience and network in FPO sector has summarised the status of FPO sector brilliantly in her article. Warm appreciation to fellow contributors and team members who supported this effort with dedication: **Vaishali Gite**, with her in-depth field experience in strengthening institutional governance and **Urvi Mishra**, with her work in grassroots capacity and value chain building, have brought solid depth to the report.

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We are deeply indebted to our trustees, **Pravesh Sharma** and **Anish Kumar**, for their unyielding support and visionary guidance. Their stewardship helped keep NAFPO aligned with its core mission while evolving alongside the sector's shifting realities which are summarised in this report.

To every FPO leader and ecosystem partner who participated in surveys, interviews, consultations, or informal dialogues: thank you for trusting us with your stories. Your voices echo throughout this volume, and we are privileged to carry them forward.

Sudha Patnaik
Chief Executive Officer
National Association for Farmer Producer Organisations (NAFPO)

Foreword

Farmer Producer Organisations (FPOs) have come to signify a growing trend towards formalisation in Indian agriculture, a sector where policymakers have long obsessed over fragmentation of landholdings and lack of economies of scale. FPOs are the new generation cooperatives, a sub-set of rural Small and Medium Enterprises (SMEs) and a vital bridge between formal market players and their smallholder members. Like all formal enterprises, FPOs too face the challenge of solving for access to capital, technology, and markets. Onboarding and retaining managerial talent, dealing with suppliers and creditors, as well as meeting regulatory and legal reporting requirements add to their list of burdens. Yet the story since 2010, when Govt. of India launched the first project to support FPO formation across the country, is one of sustained growth and consolidation in the face of all the challenges noted. With close to 50,000 registered FPOs, the ecosystem is finally coming of age.

While the numbers spell a success story, sceptics point to the stories of failed or struggling FPOs, or even the hundreds which closed down. In all categories of commercial enterprises, there would be a significant proportion that fail or must be abandoned. Official data from the Ministry of Corporate Affairs (MCA) reveal that just in the past five years, over five lakh private limited companies were either closed, struck off the list or merged across India. Another seven lakh new companies were also set up in the same period. Sustainability and viability of any business enterprise is impacted by multiple factors and it would be simplistic to suggest that only FPOs face high rates of attrition and are more likely than other classes of business to fail.

Even so, an institution like National Association for Farmer Producer Organisations (NAFPO) must continue to study and develop learning around what makes or breaks an FPO. Starting with this edition, the *State of the Sector Report on Farmer Producer Organisations (SOFPO)* will carry case studies of both success and failure, with the objective of developing indicators and warning flags to help current and future FPOs read early signs of strength and weakness. We will also reach out to partners across the spectrum to join us in this effort.

With the original legislation enabling the registration of Farmer Producer Companies (FPCs) now just over twenty years old, it's also time to thoroughly review the various provisions of this law in the light of user experience. Much has changed in the overall economy and in agriculture over these two decades. High value agriculture products (dairy, poultry, horticulture, livestock, and fisheries) contribute over three fourths of the agri GDP value. Large integrated value chains for milk, eggs, meat, fish, fruits, etc. have emerged. Does the FPO model successfully help to unlock these opportunities? Where does the institution fit into the response to climate change challenges? To unlocking carbon credit markets?

These and dozens of similar questions should form the context of the review of this unique legislation. NAFPO will take up this initiative as well in the coming year.

As the various chapters of this volume reveal, the body of knowledge around FPOs continues to be enriched by outstanding individuals and institutions. They and many others like them, not just in India but working around the world, have helped to deepen our understanding of this institution and its working. To them, as ever, we remain grateful and indebted.

Pravesh Sharma
Chairperson, Steering Committee
National Association for Farmer Producer Organisations (NAFPO)

Overview

Aashish Argade

Nobel laureate and institutional economist Douglass North is remembered for his pioneering work in new institutional economics. Emphasising the role of institutions, North defined institutions as "the rules of the game in a society, or, more formally, [are] the humanly devised constraints that shape human interaction."[1] The crux of North's theory is that institutions enable to overcome the obstacles arising out of information asymmetry, translating into transaction costs. Assured property rights, properly enforced contracts and freedom of entrepreneurs to make independent choices are the cornerstone of North's institutional theory. Together, these three vertices of the framework lead to efficiently functioning markets and institutions, while enabling entrepreneurs to reduce transaction costs and also enhance economic activity. Lammers and Barbour synthesised and summarised various definitions to describe institutions as "certain persons, organisations, beliefs, ways of thinking, behaviours, or rules" having "an enduring and fixed character"[2]. This description highlights the collective nature of institutions, their manifestation as organisations, certain common behaviours of the people involved, guided by rules, and the persistence of the institutions beyond the organisation. The reason behind mentioning these definitions and descriptions of institutions was

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1 Faundez, J. Douglass North's Theory of Institutions: Lessons for Law and Development. *Hague J Rule Law 8*, 373–419 (2016). https://doi.org/10.1007/s40803-016-0028-8

2 Lammers, J. C., & Barbour, J. B. (2006). An institutional theory of organizational communication. *Communication Theory, 16*(3), 356-377.

to highlight the difference and overlap between an organisation and an institution. Institutions often manifest as organisations, or the functions of an institution are carried out through one or more organisations. However, institutions are larger, abstract, function beyond the organisation, outlive the organisation, and specifically contribute to resulting in activities leading to economic efficiency.

Farmer Producer Organisations (FPOs), and more specifically Farmer Producer Companies (FPCs) were developed as a concept to help smallholder farmers overcome the difficulties that come with small-scale production activities. Envisaged as producer-owned and producer-run entities, a major thrust to promoting FPOs came with the 10,000 FPOs Program of the Government of India. According to NAFPO, there are over 40,000 FPOs in the country now. The formation of FPOs being the first step, the action must shift now to make these FPOs strong to sustain themselves and move forward in the direction of their purpose. Drawing from the institutional aspects discussed above, FPOs have to progress from their stage of formation to larger organisations that deliver benefits in the near term and evolve into institutions that identify relevant opportunities for advancement in the future. In other words, FPOs must emerge as institutions after establishing themselves as sustainable organisations. Notwithstanding this ambitious approach, the fact that many FPOs face challenges right from inception is a serious matter. While interacting with sector experts for some chapters, we realised that the instances of FPOs not sustaining for even a few years after formation are much more common than otherwise. When incidents become as commonplace, they emerge as trends, which implies the presence of certain common reasons across all the data points leading to the formation of the trend. Addressing such issues requires a concerted effort for the entire sector.

From the above statements, it is evident that the FPO ecosystem requires a two-pronged approach. One, to strengthen FPOs to make them institutions. Second, to develop institutional mechanisms to ensure that FPOs reach a stage of organisational stability followed by advancement as a dual-purpose enterprise. In this edition of the State of FPOs Report, we focus on the institutional nature of FPOs through various case studies.

Although presented as the final chapter, the essay on "FPO Failure – What Didn't Work" is based on observations and summarisations of discussions with experts who have been working with FPOs for several years. The chapter highlights that aspects as simple as inappropriately conducted baseline studies could put FPOs on a shaky ground from the word go. The lack of awareness among members about their membership and the collective nature of the organisation defeat the very purpose of forming the FPO. When producers do not assume ownership of the FPO and look at it as an external entity, they are likely to turn free riders and only seek benefits without the necessary participation and sacrifice requisite of a community-owned organisation. While many other things line up leading to the vicious vortex of FPO failure, a sense of ownership among members can be a formidable buttress against any of the subsequent challenges. Haller, Belsky and Rist (2018) identified "internal perception for the need to create new institutions" as one of the six pillars of the bottom-up institutional-building approach[3]. Views shared by experts in the article only reinforce the member-centricity of FPO-type organisations, which is not possible without an honest baseline study, and involvement of the member producers in laying foundations of the FPO. Therefore, there is a need to ensure that mechanical, documentation-oriented processes are replaced by effective, field-based and member-driven processes for formation of FPOs. These cannot be left to the implementing agency but must be institutionalised.

This is where the chapter on Lighthouse FPOs (LHFPO) bears interesting and replicable exercises done by Samunnati. At the core of the exercise is categorisation of FPOs based on their stage of growth, revenue streams and business activities, and their ability to evolve as Cluster-Based Business Organisations (CBBOs) for other fledgling FPOs, as well as a holistic handholding that connects credit, business plans, market linkages on input and output side, and technological enhancements. The emphasis on all-round assistance to the FPO with an aim to bring it to

3 Haller, T., Belsky, J. M., & Rist, S. (2018). The constitutionality approach: conditions, opportunities, and challenges for bottom-up institution building. *Human ecology, 46*(1), 1-2.

the level of a CBBO is, at one level, an effort to build strong FPOs, and at another level, ensuring that other smaller FPOs get likewise support from the LHFPO. The role of a strong external yet direct stakeholder deserves a special mention. Samunnati, in the case of LHFPOs, dons a responsibility that far exceeds that of a CBBO in establishing these FPOs with an instrumental objective.

Whereas Samunnati's way of offering continued support to FPOs is necessary, till the time it achieves scale, the other FPOs cannot be neglected. It is a well-known fact that most FPOs face the challenges of running the FPO as an enterprise while delivering benefits to members, given their characteristic of being run and governed by farmers. NAFPO's initiative of Independent Directors (ID) in the boards of FPOs is about incorporation of an internal support system that can offer valuable and requisite guidance to the FPOs. The case studies bring to the fore the value added by ID who come from different professional backgrounds. Reflections of CEOs of the FPO are a testimony to how impactful the guidance could be – from granular issues to strategic direction. The chapter subtly stresses the necessity of a healthy relationship between the ID, BoD, and the CEO for successful outcomes.

Another chapter, an experiment-based research work undertaken in Bihar, again focuses on the capability of FPOs as institutional delivery mechanisms. The study examines the possibility of introducing cultivation of pulses in Bihar, with FPOs playing a critical role in providing material and knowledge inputs for crop production, aggregation, and marketing. Although the study shows that cultivation of pulses in Bihar does not sustain, the reasons are not due to shortcomings of the FPO. In fact, FPOs emerge as an excellent institutional means of delivering seeds, other inputs, training to farmers, and marketing.

Along related lines, FPOs are interestingly enablers for other fledgling organisations – start-ups. A chapter by representatives from Marico Innovation Foundation (MIF), through case studies, shows that FPOs can play a crucial and instrumental role in evaluating, refining, introducing and implementing innovations by start-ups in the agricultural sector. The primary sector, and more importantly farming activities, need newer technologies and innovations that are being tried out by driven individuals.

The latter seek direct validation from field studies after vetting prototypes in the labs. An FPO opens avenues to try out such technologies in a larger number of farms, provides valuable data to the innovators, and when applied after refinement, these innovations can enhance efficiency and quality of farm output. The chapter, while soliciting help from FPOs, states prerequisites from both the FPOs and the innovators such that synergies are created.

Beyond delivering functional benefits to members, FPOs have also been seen as potential harbingers of social benefits. A strong case of such social benefits of inclusion and empowerment are the women-led FPOs. There is no denial of the fact that women-led FPOs have made their presence felt since the last few years, though their scale and impact might be limited for the time being. However, their potential to bring about a larger transformation in the agrarian and rural space remains steadfast. With different stakeholders, including the government, Implementing Agencies (IAs), donors and others, the Transform Rural India Foundation (TRIF)-driven, Walmart Foundation-funded engagement with women FPOs in Uttar Pradesh stands out as a shining example. The chapter discusses a comprehensive set of activities built around the FPOs, even as the leadership is entrusted to women members. It is also heartening and encouraging to note the emphasis given on scale and reach, with a target to reach 50,000 women through the women-led FPOs. It is pertinent to observe that the success of this model is built on prior women-oriented institutions such as Self-Help Groups (SHGs).

The above chapters highlight three important aspects – one, the necessity to institutionalise building FPOs such that they achieve a certain level of scale and volume; two, the importance of strengthening FPOs such that they grow as organisations; and three, the institutional role that FPOs themselves can play in the larger agri-rural ecosystem. Samunnati's initiative of LHFPOs, shows how growth and development of FPOs can be institutionalised through certain well-planned processes and handholding, which eventually makes the LHFPOs, capable of grooming and handholding other smaller FPOs. It effectively aims at producing a domino effect in the FPO ecosystem. On the other hand, NAFPO's independent director programme focuses on strengthening FPOs as organisations. These two initiatives, and the creation of FPOs based on SHGs by Walmart Foundation-TRIF's engagement provide examples of institutionalising building FPOs and enabling the FPO to grow as an organisation. The Bihar pulse promotion project and MIF's start-up–FPO connect are excellent testimonies to the instrumental power of FPOs as institutions of experimenting and introducing innovations and other public, private and development sector initiatives.

Connecting the dots with the institutional theory definitions and descriptions provided in the early part of this chapter, one can infer that the FPO movement is not merely a creation of farmers' organisations, but institutions that can facilitate and drive economic, social and technical improvements in the agricultural sector. Further, they also offer scope for the people involved in decision-making to grow as business and social leaders with time. The contribution of this year's *State of the Sector Report – Farmer Producer Organisations* is aimed at highlighting this important aspect of FPOs.

In addition to the preceding chapters, this report has the eponymous chapter that presents the status and recent developments in the FPO ecosystem. The total number of FPOs as of March 2025, as per NAFPO's database, stands at 43,928. The Central Government's 10,000 FPO program clocked 10,099 FPOs by June 2025, showing significant success of the program. The role of supporting organisations such as CBBOs, Non Government Organisations (NGOs) and Implementing Organisations (IO) continues to remain critical, not just in formation of FPOs but in enabling growth and stability in the early years. Total loans sanctioned by various financial institutions to FPOs were close to ₹4,000 crore. However, these loans have gone to 6,100 FPOs, showing that a huge number of FPOs could still be outside the ambit of formal credit. Besides access to sources of formal finance, the lack of credit could stem from poor business practices, unsound business plans, and ineffective administration of FPOs. These could be significantly lowering the creditworthiness of many FPOs.

While on the point of credit, readers' attention is requested to the chapter on estimating credit requirement of FPOs. The necessity of credit for growing a business cannot be overemphasised, even as the lack of easy and low-cost credit to FPOs seems to be coming forth quite vividly. The absence of any estimate of credit needs of FPOs was seen as a big lacuna.

At the behest of NAFPO, a study was conducted by representatives of Dvara, involving detailed interviews with experts from the FPO sector. Based on the insights drawn from the interviews, the total size of credit demand for FPOs was obtained to the tune of over ₹5,800 crore. The chapter lists all the assumptions made to arrive at this figure, along with logic to support those assumptions. This size of the credit market is assumed to be at any given point in time, and not for a year or a cropping season. The figure of ₹5,800 crore is assumed to be a ballpark and was vetted by soliciting review of the same by people engaged in financial services and FPOs for a long time.

The Index of Ease of Doing Business for FPOs is in its second year now and seems to hold out as a reliable indicator of the disposition of States towards the FPOs and their ecosystem. The Index continues with the same parameters taken last year – state-level FPO policy/guidelines, ease of obtaining licences, extension of benefits, access to finance/credit, involvement of FPOs in preferential procurement, and presence of a state-level federation. This year, the Index has been extended to 10 states. Maharashtra stands first in terms of ease of doing business for FPOs, followed by Madhya Pradesh, Uttar Pradesh, Tamil Nadu, and Haryana in the next four positions. With more data, the chapter also shows how a few policy changes could benefit different states in improving their ranking.

As the 10,000 FPO program achieves its target, the FPO juggernaut keeps rolling. We explore FPOs from the institutional lens this year, and showcase the gaps, successes, scope and risks facing the FPOs. An institutional approach in taking the fledgling FPOs to the next level of stability and advancement is much needed. A longer tenure for CBBOs and other IO is a pointer in this direction. This report shows varied actions being undertaken by different stakeholders to institutionalise stability and growth of FPOs. The emerging role of FPOs as institutions is also demonstrated well through interesting case studies. For policymakers, the Ease of Doing Business for FPOs Index presents a snapshot that facilitates policy direction and implementation action. Difficult while it may be, a concerted action would transform FPOs into institutions with far greater worth and impact than might be evident now.

Contents

List of Abbreviations

AGM	Annual General Meeting/s
AIF	Agriculture Infrastructure Fund
ANGRAU	Acharya N. G. Ranga Agricultural University
APMC	Agricultural Produce Market Committee
B2B	Business-to-Business
BMGF	Bill & Melinda Gates Foundation
BMKPCL	Bhooswamini Mahila Kisan Producer Company Limited
BoD	Board of Directors
BoR	Board of Resolutions
BVT	Bharatiya Vikas Trust
CBBOs	Cluster-Based Business Organisations
CCS NIAM	CCS National Institute of Agricultural Marketing
CGF	Credit Guarantee Fund
CHCs	Custom Hiring Centres
CLFs	Cluster-Level Federations
CoE	Centre of Excellence
CRISIL	Credit Rating Information Services of India Limited
CSOs	Civil Society Organisations
CSR	Corporate Social Responsibility
CSS	Central Sector Scheme
D3Cs	Digital Commodity Collection Centres
DAM	Digital Agriculture Mission
DIU	Development Intelligence Unit
DoA & FW	Department of Agriculture and Farmers' Welfare
e-NAM	e-National Agriculture Market
EoDB	Ease of Doing Business

EoDBF	Ease of Doing Business for FPOs
ERP	Enterprise Resource Planning
FCI	Food Corporation of India
FEED	Forum of Enterprises for Equitable Development
FIGs	Farmer Interest Groups
FPCs	Farmer Producer Companies
FPOs	Farmer Producer Organisations
Global GAP	Global Good Agricultural Practices
GST	Goods and Service Tax
IAs	Implementing Agencies
ICAR	Indian Council of Agricultural Research
ID	Independent Director
IDDP	Independent Director Development Programme
IDDP	Intensive Dairy Development Programme
IDR	India Development Review
IDs	Independent Directors
IFPRI	International Food Policy Research Institute
IIMA	Indian Institute of Management, Ahmedabad
IO	Implementing Organisations
IOD	Institute of Directors
IRMA	Institute of Rural Management Anand
KFPC	Kattangur Farmers Producer Company Limited
KPKB	Kendriya Police Kalyan Bhandar
LHFPO	Lighthouse FPO
MBCFPC	Madhya Bharat Consortium of Farmer Producers Company Ltd.
MCA	Ministry of Corporate Affairs
MFIs	Microfinance Institutes
MIF	Marico Innovation Foundation
MIS	Management Information System
MKUY	Mukhyamantri Krishak Udyami Yojana
MoA & FW	Ministry of Agriculture & Farmers Welfare

MSME	Micro, Small and Medium Enterprise
MSP	Minimum Support Price
NABARD	National Bank for Agriculture and Rural Development
NAFPO	National Association for Farmer Producer Organisations
NBFCs	Non-Banking Finance Companies
NDRI	National Dairy Research Institute
NGOs	Non Government Organisations
NITI Aayog	National Institution for Transforming India
NPMA	National Project Management Agency
NRLM	National Rural Livelihood Mission
ODOP	One District One Product
OLM	Odisha Livelihoods Mission
ONDC	Open Network for Digital Commerce
OPV	Open-pollinated Varieties
PACS	Primary Agricultural Credit Society
PMFME	Pradhan Mantri Formalisation of Micro Food Processing Enterprises
POPIs	Producer Organisation Promoting Institutions
PSBs	Public Sector Banks
RCT	Randomised Control Trial
RIs	Resource Institutions
SEBI	Securities and Exchange Board of India
SFAC	Small Farmers' Agribusiness Consortium
SHGs	Self-Help Groups
SIS	Seniors in Seva
SLPCs	State Level Producer Companies
SMEs	Small and Medium Enterprises
SOFPO	State of the Sector Report on Farmer Producer Organisations
SOPs	Standard Operating Procedures
SPIA	Standing Panel on Impact Assessment
TISS	Tata Institute of Social Sciences
TNRTP	Tamil Nadu Rural Transformation Project

TNSLPC	Tamil Nadu State Level Producer Company
TRIF	Transform Rural India Foundation
UPSRLM	Uttar Pradesh State Rural Livelihoods Mission
USDFC	United States Development Finance Institution
VCO	Value Chain Organisation
WFPOs	Women-led FPOs

Chapter 1

Status of FPOs in India – A Contemporary Analysis

Aneesha Bali and Anish Kumar

1. Introduction

India's push to collectivise smallholder farmers through Farmer Producer Organisations (FPOs) has continued to sustain its momentum, with about 11,000 FPOs formed under the Central Sector Scheme (CSS), the total reaching almost 44,000 FPOs in the country. However, the success of these FPOs depends not just on their formation, but on sustained support for their growth and viability.

Intermediary organisations – including Cluster-Based Business Organisation (CBBOs), Non Government Organisations (NGOs), and other implementing partners – have played a critical role in this ecosystem. Their support spans mobilising farmers, building governance structures, enabling market access, and facilitating access to finance. Evidence shows that FPOs supported by strong intermediaries are more likely to survive and scale as sustainable enterprises. The sector has seen many developments with more successful FPOs seeing the light and focus on building standardisation of FPOs.

The chapter highlights that:

- Good CBBOs have improved FPO performance through structured capacity-building and market integration.

- Intermediaries have enabled innovative aggregation, digital tools, and inclusive participation.
- Over 1,000 CBBOs have been empanelled, reflecting growing institutional depth.

As the sector matures, focus must shift from quantity to quality – prioritising performance outcomes, financial sustainability, and the strengthening of intermediary support systems. The future of India's FPO movement hinges on deepening this enabling ecosystem.

2. FPO Landscape: Recent Trends and Statistics

- Rise in digital/tech-enabled FPOs
- Growing interest from agri start-ups and Corporate Social Responsibility (CSR) investors
- Push toward climate-smart agriculture and regenerative practices
- Second-tier FPO formations (state federations, producer collectives)
- Database of FPOs 2025

Table 1.1: Registered No. of Active Farmer Producer Companies (FPCs)

S. No.	State	No. of Active FPCs
1	Andaman	8
2	Punjab & Haryana	1304
3	Kerala	623
4	Odisha	1594
5	Telangana	953
6	Meghalaya	64
7	Uttarakhand	175
8	Gujarat	920
9	Karnataka	1479

Table 1.1 (*contd.*)

S. No.	State	No. of Active FPCs
10	Tamil Nadu	1531
11	Chhattisgarh	448
12	Delhi	91
13	Goa	18
14	Madhya Pradesh	2330
15	Himachal Pradesh	252
16	Rajasthan	1263
17	Jammu & Kashmir	313
18	Jharkhand	674
19	Uttar Pradesh	6524
20	West Bengal	1542
21	Maharashtra	14788
22	Bihar	1605
23	Pondicherry	11
24	Andhra Pradesh	1120
25	Manipur	220
26	Arunachal Pradesh	217
27	Nagaland	145
28	Tripura	120
29	Mizoram	87
30	Lakshadweep	2
31	Ladakh	2
32	Assam	1060
	Total	41,483

Source: National Association for Farmer Producer Organisations (NAFPO) Database for active FPCs collated from Ministry of Corporate Affairs (MCA) website

3. Policy and Programmatic Developments (Since 2022) – Landscape

The CSS has catalysed policy coherence by linking collectivisation efforts with broader digital and market reforms. For instance, Small Farmers' Agri-Business Consortium (SFAC's) e-platforms and National Bank for Agriculture and Rural Development (NABARD's) Farm Stack initiatives are streamlining onboarding, traceability, and scheme convergence.

Summary Snapshot

Total number of active FPCs:	41,483
Total number of FPCs with paid-up capital exceeding ₹15 lakh:	387
Average paid-up capital:	Less than ₹5 lakh

Recent policy efforts have also emphasised:

- Convergence with schemes such as Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) Scheme, Agriculture Infrastructure Fund (AIF), One District One Product (ODOP), and Digital Agriculture Mission (DAM)
- Emphasis on digitalisation, both in terms of internal record-keeping and external trading
- Promotion of women-led and tribal FPOs, with special incentives and regional pilots

These efforts point toward a maturing policy framework, which increasingly recognises the importance of institutional integration and ecosystem-level innovation over merely meeting formation targets.

3.1 Key Updates from Central Sector (CSS) on FPOs (10,000 FPOs Mission Progress)

Since its launch in 2020, the CSS for the formation and promotion of 10,000 FPOs has become the fulcrum of India's farmer collectivisation strategy. As of June 2025, the scheme has registered 10,099 FPOs, showing significant progress.

The scheme is being implemented through 146 CBBOs, supported by a workforce of over 7,000 professionals deployed on the ground. Their work spans from baseline assessments and business planning to aggregation and compliance handholding.

Number of FPOs – Top Five States

State	No. of FPOs
Maharashtra	14,788
Uttar Pradesh	6,524
Madhya Pradesh	2,335
Bihar	1,605
West Bengal	1,542
Tamil Nadu	1,531

Key achievements include:

- **5,113 FPOs have opened bank accounts**, a critical first step for financial inclusion.
- **1,748 FPOs have availed equity grants** under the CSS, enhancing their working capital base.
- **1,416 FPOs have secured institutional credit**, often enabled by partial guarantees and facilitation by CBBOs and Intermediary Organisations.
- **1,368 FPOs have been onboarded on Open Network for Digital Commerce (ONDC)**, marking a shift toward digital commerce and new market channels.

While these numbers signal implementation momentum, the transition from initial support to operational sustainability remains uneven. Equity grants and credit uptake are concentrated in certain states and sectors, and challenges persist around documentation, business model clarity, and market linkages.

3.2 State-level Innovations in FPO Promotion and Support

While the CSS provides a national framework, several state governments have pioneered customised FPO promotion strategies, often aligning with regional crops, agro-climatic conditions, and socio-economic contexts.

Madhya Pradesh (MP) continues to lead with its MP FPO Promotion Scheme, which offers direct support for business planning, market linkages, and convergence with state schemes such as Mukhyamantri Krishak Udyami Yojana (MKUY). The state also facilitates access to mandis and warehousing infrastructure through MP Mandi Board partnerships.

Odisha, through its multi-departmental approach, has promoted tribal and women-led FPOs. The Odisha Livelihoods Mission (OLM), along with OLM-Federation Model, integrates FPOs with Self-Help Groups (SHGs) and ensures access to revolving funds and community infrastructure. Odisha's convergence model includes inputs from agriculture, horticulture, fisheries, and tribal development departments.

Karnataka and Maharashtra have been early adopters of digital agri-tech partnerships, linking FPOs with platforms like ONDC, and piloting traceability tools in fruits, vegetables, and millets.

States like Tamil Nadu have introduced market integration through agro parks and e-tendering for FPO produce. These models show the diversity and potential of decentralised approaches to FPO development.

3.3 Status of convergence with other schemes

Convergence remains a cornerstone of FPO success, as standalone support is often inadequate for operational viability. Under the CSS and allied schemes, there is growing alignment with:

- **PMFME**: Support for FPOs in food processing and branding
- **AIF**: Enabling infrastructure like warehouses, drying yards, and cold chains
- **ODOP**: Helping FPOs link to district-level product identities
- **ONDC**: Over 1,300 FPOs onboarded, expanding digital retail possibilities

This multi-scheme approach attempts to create a layered support architecture, but implementation varies across geographies, often depending on state government involvement and IO engagement.

4. Institutional Ecosystem: Role and Readiness

4.1 CBBO Ecosystem

The CBBO framework, central to the CSS rollout, was designed to bring professional management and ecosystem linkages to FPOs. With over 146 CBBOs active, this institutional layer is responsible for identifying, mobilising, registering, and handholding FPOs through their formative years.

4.2 The Key Strengths Observed:

- Deployment of over 7,000 field personnel, including experts in finance, marketing, and agriculture
- Facilitation of equity grants, credit linkages, and statutory compliance
- Onboarding of FPOs onto digital platforms, including ONDC

However, there are some key challenges with the CBBOs:

- **Lack of experience and capacities of CBBOs may lead to poorly promoted FPOs – leading to low governance standards**
- High attrition rates among CBBO staff, often due to short-term contracts and inadequate field exposure
- Varying quality of Business Plans, with many focusing only on compliance metrics rather than market-oriented strategy
- Limited ability to support post-grant sustainability, as the CBBO's role often ends within three years
- Absence of coordination with state-level programs or convergence efforts

4.3 Innovations Emerging:

- Some CBBOs have started second-line training programs, creating village-level 'FPO Mitras' for day-to-day operations

- Use of digital Management Information System (MIS) tools for real-time reporting and gap identification
- Collaboration with private agri-tech and fintech players for bundling services

There is now a case to strengthen the accountability and long-term incentives of CBBOs, allowing them to evolve into ecosystem managers beyond formation targets.

5. Role of Intermediary Organisations

The last decade has seen a sharp rise in the formation of FPOs across India, propelled by dedicated policy focus, central schemes such as the 10,000 FPO program, and the involvement of Implementing Agencies (IAs). However, for FPOs to graduate from formation to long-term sustainability, the role of **Intermediary Organisations** – entities that facilitate finance, input-output linkages, value chain integration, and technology access – has become increasingly central.

While IAs like NABARD, SFAC, and NAFED have played a catalytic role in FPO registration, handholding, and grant facilitation, they are not positioned to drive sustained commercial engagement. This is where Intermediary Organisations, especially **financial institutions, agri-businesses, agri-tech companies, and NGOs**, become essential partners in translating institutional support into enterprise viability.

5.1 Financial Intermediaries: Unlocking Credit for FPO Growth

One of the biggest barriers to FPO sustainability is access to timely, affordable credit. Data from NABSanrakshan as of December 2024 reveals that **over 6,100 FPOs** have received financing from a range of **14 financial institutions**, sanctioned under credit guarantee mechanisms designed to de-risk lending to FPOs.

- **Samunnati**, an agri-value chain financier, has emerged as the largest player, financing **3,603 FPOs** with a total sanctioned amount of **₹3,272 crore.** Its focus on cash flow-based lending, supply chain integration, and working capital has helped address structural issues in FPO financing.

- **Nabkisan Finance Ltd**, a Non-Banking Financial Company (NBFC) promoted by NABARD, has supported **1,701 FPOs**, reflecting its alignment with the FPO mission. The average ticket size of **₹20.7 lakh** points to strong outreach among small and medium FPOs.
- Public and private sector banks like **IDFC First Bank, HDFC Bank, Axis Bank, and State Bank of India** are gradually increasing their presence in the FPO credit space. However, their reach remains limited compared to specialised lenders, partly due to high perceived risk and limited familiarity with FPO operations.

Notably, the **average ticket size** of loans varies significantly – from **₹13.6 lakh** (IDFC First) to **₹1.31 crore** (Arya Dhan), indicating diverse financing models. While banks tend to finance post-harvest or asset-backed needs, NBFCs like Samunnati and Nabkisan support aggregation, working capital, and trade finance.

Despite these advances, the total credit penetration is still low. Out of 10,000 FPOs, only about **2,024** have accessed loans as per MIS data – highlighting the critical role IOs play not just in lending but in building creditworthiness, managing documentation, and providing last-mile support.

Table 1.2: Credit Guarantee Data

Bank	Total FPOs Financed	Total Amount Sanctioned (*in* ₹)	Avg. Ticket Size (*in* ₹)
AU Small Finance Bank Ltd	143	21,04,38,000	14,71,594
Axis Bank	50	10,22,10,000	20,44,200
Rangiya Gramin Vikas Bank	5	2,60,07,000	52,01,400
Baroda UP Bank	45	11,56,80,400	25,70,676
HDFC Bank	19	13,01,99,000	68,52,579
IDFC First Bank	152	20,74,00,000	13,64,474

Table 1.2 (*contd.*)

Bank	Total FPOs Financed	Total Amount Sanctioned (*in* ₹)	Avg. Ticket Size (*in* ₹)
Nabkisan Finance Ltd	1701	3,52,07,77,000	20,69,828
National Cooperative Development Corporation	58	9,71,33,200	16,74,710
Punjab National Bank	2	1,90,00,000	95,00,000
State Bank of India	60	20,72,76,000	34,54,600
Samunnati	3603	32,72,80,38,436	90,33,405
FWWB	156	1,11,21,50,000	71,29,167
Arya Dhan	114	1,50,00,00,000	1,31,57,895
	6,108	39,97,63,09,036	

Source: Credit Guarantee Data from NabSanrakshan
Date: 12th Dec, 2024

5.2 Market and Value Chain Intermediaries

Beyond finance, FPOs need market access to become economically viable. **Buyer companies, processors, retailers, and exporters** serve as key intermediaries in this regard, offering FPOs assured procurement, better price realisation, and opportunities for value addition.

- **Agri-business firms** such as ITC, WayCool, and BigBasket have begun sourcing directly from FPOs under farm gate procurement models.
- **Traders and processors** provide advance purchase agreements and infrastructure support, especially for high-value commodities like spices, pulses, or horticulture crops.
- **Intermediary NGOs and CSR initiatives** often bridge these connections, enabling FPOs to meet quality and quantity standards required for bulk trading.

The success of such models depends on mutual trust, reliable aggregation, and consistent quality – areas where IOs provide mentoring, technical support, and risk mitigation.

5.3 Input, Logistics, and Technology Providers

FPOs require access to high-quality, affordable inputs and logistics to maintain their competitiveness. A growing number of **input companies, warehousing providers, and agri-tech platforms** are acting as commercial partners to FPOs.

- **Input companies** (e.g., UPL, Coromandel) collaborate with FPOs to create bulk purchase models, offering better rates and timely supply.
- **Warehousing and cold chain players** help reduce post-harvest losses, a key barrier in FPO profitability.
- **Digital agri-tech firms** like DeHaat, AgNext, and Bijak provide traceability, price discovery, real-time advisory, and access to wider markets – critical for FPOs in remote areas.

Technology-based IOs are especially important in empowering FPOs with transparency and data-driven decisions, often through mobile apps, dashboards, and digital transaction platforms.

5.4 Capacity-building and Ecosystem Support

Apart from commercial entities, a wide range of **NGOs, Civil Society Organisations (CSOs), and FPO federations** act as intermediary organisations that offer non-financial support. These actors:

- Provide training on governance, compliance, and digital literacy.
- Support collective decision-making and member mobilisation.
- Facilitate certification – organic, Food Safety and Standards Authority of India (FSSAI) – and access to government schemes.

Such capacity-building partners are essential in helping FPOs bridge the "last mile" between policy and practice, particularly for marginalised, tribal, and women-led FPOs.

5.5 Building an Enabling Ecosystem

The future of FPOs hinges on how effectively the ecosystem encourages collaboration between IAs and IOs. Based on the emerging trends:

- Intermediary Organisations should be systematically engaged and incentivized, through policies such as blended finance instruments, public procurement mandates, and tax benefits.
- Government platforms can act as convenors, fostering partnerships between IOs and clusters of FPOs.
- Performance metrics for the FPO movement should shift from numbers registered to **volume traded, income increased, and partnerships sustained**.

India's FPO ecosystem has moved beyond formation to a stage where **intermediary partnerships will determine long-term viability**. The collective role of banks, buyers, tech providers, and NGOs is not peripheral, but central to making FPOs commercially successful and socially impactful. Strengthening the engagement, accountability, and scale of Intermediary Organisations is the next frontier in realising the vision of farmer-owned, market-driven agribusiness enterprises. Additionally, federating FPOs at State level/District level would help in developing this enabling ecosystem for FPOs to access opportunities.

6. Cross-Cutting Challenges and Gaps

Despite growing support, several challenges continue to plague FPOs, cutting across geography, value chains, and institutional types:

- **Dormancy and attrition**: A significant proportion of FPOs remain inactive post-registration. Common causes include weak governance, inadequate capital, or absence of business avenues.
- **Statutory compliance**: Filing of returns, conducting Annual General Meetings (AGM), and maintaining records remain a challenge. Many FPOs lack trained staff or support systems for ongoing compliance.
- **Digital divide**: While digital platforms are expanding, many FPOs, especially in tribal and hilly regions, struggle with basic internet access and device penetration.

- **Institutional fatigue among CBBOs:** With high pressure on deliverables and limited tenure, many CBBOs face burnout or disengagement.
- **Market volatility:** FPOs are unable to absorb shocks in commodity prices, input costs, or weather conditions, particularly those not integrated with processing/value addition.
- Early signs of institutional fatigue in CBBOs.

These challenges indicate a need to move from project-based support to institution-building, focused on governance strengthening, market deepening, and climate-smart strategies.

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Chapter 2

Ease of Doing Business for FPOs in India

Vijayaragavan Ramanujam

1. Introduction

Farmer Producer Organisations (FPOs) have emerged as the chosen institutional mechanism to organise smallholder farmers with the aim to improve their access to markets, managerial capacities, technology, finance, and credit. In addition to aggregating farmers to enhance their economic strength, FPOs have been used as the primary mechanism to deliver key benefits to small and marginal farmers by policy makers and multiple agencies – government and non-government alike. In the last decade, many farmers were successfully organised into FPOs. As per the latest estimates, approximately 44,000 FPCs have been registered in the country, and another 2,000 to 5,000 FPOs are expected to be incorporated in the next year or two. There have been policy interventions both at the Centre and at the state levels to drive this growth. For instance, the Union Budget of 2018 had, among other provisions, a five-year tax break for FPOs, which provided a fillip to the sector. The Union Budget 2020 introduced the Central Sector Scheme (CSS) of Formation and Promotion of 10,000 FPOs across the country with a budget outlay of ₹6,865 crore. Various state governments had their own policies and enabling features for FPOs. There is no doubt that these are impressive numbers.

During the same period, say between 2015 and 2025, the approach towards forming and running FPOs has moved from visualising FPOs as "pure social institutions" to "business or commerce-centric organisations". The 10,000 FPO program monitors and tracks business performance of each FPO promoted under the program from between 12 and 18 months onwards. The change in the lens of looking at FPOs puts a greater onus on their functioning and outcomes. It is believed that the states have a greater and crucial role to play here because FPOs are aimed at improving agricultural productivity and incomes, and agriculture happens to be a State subject. In fact, FPOs in Maharashtra, Madhya Pradesh, Gujarat, Rajasthan, Tamil Nadu, and Uttar Pradesh have yielded encouraging results and have proven that FPOs are indeed the effective institutional mechanism to deliver intended benefits and growth to farmers.

Thus, we find that there are national level and state level parameters which influence the formation, operation, and success of FPOs. In the initial days, the number of FPOs formed was an indicator of the impact of FPO policy. However, the number was at best a partial indicator of the effectiveness of the FPO. In some cases, the membership of FPOs was assumed to be an indicator of the health of FPOs, which again had its shortcomings because large FPOs did not necessarily translate into the benefits reaching all its members. Further, the functioning of FPOs itself was subject to a host of issues, right from the active participation of its Board of Directors (BoD) and members in regular meetings, to the external factors such as obtaining licences and availability of grants or funds. Whereas the internal functioning of FPOs is subject to numerous local conditions and micro parameters, an enabling and facilitative environment is what can be provided through policy interventions. Creation of such an environment is in the domain of the states.

Against this backdrop, it was envisaged that a set of benchmarks be identified that provide an objective and easy capture of a wide array of information that would help policymakers, researchers, and other stakeholders in drawing comparable inferences. For FPOs to form, grow, and thrive, they need to meet both social and commercial objectives. The Central and State governments have a pivotal role to play in providing a conducive environment through policy interventions to this effect. While formation of FPOs is one part of the story, their growth as commercial organisations lends economic benefit to the members and financial stability and sustainability to the FPO. As such, it was felt that the policy interventions must help them flourish in business activities. In other words, FPOs ought to have specific conditions that facilitate their business. We labelled this as "Ease of Doing Business for FPOs Index."

2. Ease of Doing Business for FPOs (EoDBF) Index

The EoDBF Index is an attempt at constructing an index that ranks states in India on how conducive a state and its policies are for FPOs to carry out business and how supportive the state is in enabling the FPOs to operate and function within its domain. The EoDBF Index 2025 is the second edition; this Index was originally conceptualised and published in 2024 as a part of the earlier edition of this annual report – *State of the Sector Report on Farmer Producer Organisations in India (2024)*. We continue to envision this Index as a living Index that will be updated each year – its scope expanded to cover more states, and parameter components and sub-components updated to capture the changing dynamics of the FPO policy landscape that affect the ease of doing business of FPOs in India.

2.1 EoDBF Index 2025

The EoDBF Index 2025 covers 10 states with the highest count of FPOs. These top 10 states, in terms of number of FPOs incorporated in them, account for roughly 81% of all FPOs in India. Table 2.1 lists the 10 states with their latest count of FPOs in active status, as per MCA, as on March 2025.

Table 2.1: State-wise Number of FPOs in Active Status

S. No.	States	Number of FPOs in Active Status
1	Maharashtra	14,788
2	Uttar Pradesh	6,524
3	Madhya Pradesh	2,330
4	Bihar	1,605
5	West Bengal	1,542
6	Tamil Nadu	1,531
7	Karnataka	1,479
8	Rajasthan	1,263
9	Odisha	1,124
10	Haryana	1,061

Source: Ministry of Corporate Affairs (MCA) website

The EoDBF Index ranks and presents data based on aggregated information on the following six areas:

i. Presence of state-level FPO policy/guidelines
ii. Ease of obtaining licences for business
iii. Extension of benefits
iv. Access to finance/credit
v. Preferential procurement of produce from FPOs
vi. Presence of a state-level federation of FPOs

Information on the above listed areas was taken from the websites of concerned ministries of Government of India and through a detailed survey of not less than 30 respondents belonging to FPOs, Cluster-Based Business Organisations (CBBOs), Resource Institutions (RIs), Producer Organisation Promoting Institutions (POPIs), FPO ecosystem players, and industry partners of each state.

2.2 Variables Included in the Index

The Index is termed as Ease of Doing Business for FPOs (EoDBF) Index. Different variables/parameters, sub-components, and weights for the EoDBF Index are represented in Table 2.2.

1. State-level FPO Policy/Guidelines

As discussed in the earlier part of this chapter, the state governments have a significant influence in the creation and running of FPOs, by providing a suitable policy platform, or laying down guidelines which enable farmers to collectivise and form an FPO. Guidelines and/or Standard Operating Procedures (SOPs) help in creating awareness about the involvement of different government officials and agencies, documentation agencies, and individuals such as chartered accountants who are essential right from incorporation of the FPOs till they stand on their own. This parameter was assessed using the following questions:

i. Has the state adopted a policy and guideline for formation and promotion of FPOs?
ii. Has the state instituted any Centre of Excellence (CoE) for FPOs or constituted any form of institution within or outside the state agriculture department/universities to support and guide the development of FPOs in the state?

Answers to these questions were collected from websites of the concerned ministries/departments of the respective state governments. The National Policy for the Promotions of FPOs, Ministry of Agriculture and Farmers' Welfare (MoA & FW), Govt. of India, forms the bedrock of FPO promotion and formation. State-level FPO policy/guidelines carries a weight of 10% down from the 20% from last year. If the National Policy was adopted by a state, it was awarded 5 points. In addition, if the state constituted a CoE/any institution/support agency within or outside the state agriculture department to support FPOs and their growth, it was assigned an additional score of 5 points. For states with no FPO policy, or guideline, we assigned half the maximum score as FPOs could still be promoted in the state under the Central policy.

2. Ease of Obtaining Licences for Business

Since we found that most FPOs start their commercial activities by procuring agricultural inputs for member farmers, and at a later stage, enter into aggregating farm produce for marketing, we decided to include the parameter of ease of obtaining licences for trading in agricultural inputs and selling farm output as the important business enabler for FPOs. The inputs business in particular is a relatively easier one with low entry barriers and reasonable margins. Therefore, the time taken, cost, regulatory processes, and transparency in obtaining the following licences was covered under this parameter:

i. Permit for storing and selling fertilisers
ii. Licence to sell, stock, or exhibit for sale or distribute insecticides
iii. Seed sale licences
iv. Agricultural Produce Market Committee (APMC) licence
v. Registration of shop and establishment

States were given points between zero and five based on the assessment of the ease of obtaining these licences from the concerned departments. Ease was measured based on the responses from FPOs, CBBOs, POPIs, RIs, or FPO federations. Respondents were asked to consider the time taken, cost involved, transparency, and efficiency of the process while providing the response/answers.

3. Extension of Scheme and Non-scheme Benefits to FPOs

Several Centre-sponsored schemes provide all-round support to FPOs right from their incorporation – registration expenses, three-year management support, equity grant, easy credit facilities, low-cost capital, credit-linked subsidies, incentives for technology adoption, access to buyers and national e-markets for FPOs among others. States can take advantage of Centre-sponsored schemes, besides aligning their own schemes to accelerate the growth and sustainability of FPOs in the state. In this area, we have considered the adoption and implementation of the following schemes and incentives:

i. Equity grant
ii. Credit guarantee
iii. Agriculture Infrastructure Fund (AIF) (Nos of FPOs supported under AIF)
iv. e-National Agriculture Market (e-NAM)
v. Number of FPO registered on e-NAM

Both equity grant and credit guarantee address the critical challenge of FPOs' access to equity and low-cost capital. Newly formed FPOs by small and marginal farmers have poor ability to raise large equity and need equity support for them to further their business activities and support management costs. Businesses related to farm produce, such as procurement, aggregation, and processing, require multiple cycles of trading to ensure round-the-year business and maximise profits. The Formation and Promotion of 10,000 FPOs scheme provides an FPO with financial assistance up to ₹18 lakh for three years. The additional provision for a matching equity grant of up to ₹2,000 per farmer member, up to a maximum of ₹15 lakh and a credit guarantee of up to ₹2 crore per FPO are again helpful for FPOs to start and grow their business.

The AIF equips the FPOs to create facilities for post-harvest infrastructure at the aggregation points and farm gate. In 2020, the Government of India allocated ₹1 lakh crore for establishing marketing and logistics infrastructure including warehouses and cold storage systems, which could be utilised by FPOs to develop farm level community assets for post-harvest management of produce.

On the other hand, the e-NAM enables farmers to sell their produce across the country using the unified electronic portal. Since farmers suffer from small marketable surplus, FPOs help them overcome this challenge through aggregation. This produce can then be sold at the local APMC or to any buyer across the country through e-NAM, avoiding the traps of local traders.

Answers to these questions were collected from websites of the concerned ministries/departments of Government of India and the respective state governments. In addition, respondents from FPOs, CBBOs, POPIs, RIs, etc. were asked questions to assess their awareness of schemes/programs, ease of availability and access to funds through the above schemes.

4. Access to Credit

Various credit schemes of the government are available for farmers and FPOs through the Public Sector Banks (PSBs). However, for a variety of reasons, banks are found to be wary of lending to FPOs. There are Non-Banking Finance Companies (NBFCs) who have stepped in this space left by the PSBs. The major difference between these two kinds of financial institutions is that banks can extend credit at a low cost, while NBFCs seem to have an easier approach in lending, but charge higher rate of interest. An improvement over last year's index, the access to credit parameter has been assigned a 20% weight this year based on broad stakeholder consultation and feedback.

This was measured in terms of perception of the respondents from FPOs, CBBOs, POPIs, RIs, or FPO State Federations. Respondents were asked to answer the time taken, cost of credit, and efficiency of the process. The ease of availing credit from banks and NBFCs separately have a score assigned between zero and ten.

5. Preferential Procurement

The national FPO policy suggests that Department of Agriculture and Farmers' Welfare (DoA & FW) will work with Food Corporation of India (FCI) and state governments to encourage them to include FPOs as procurement agencies under the Minimum Support Price (MSP) procurement operations for various crops. The policy also recommends that the state governments aid the growth of FPOs in their state by appointing FPOs as procurement agents for MSP operations. It is also advised that direct sale of farm produce by FPOs be encouraged at farm gate through FPO-owned procurement-and-marketing centres. Further, states have also been recommended that FPOs facilitate contract farming between their member farmers and bulk. Several states adopted these recommendations, and this has proved beneficial for the growth of FPOs.

Respondents were asked a set of questions to assess the availability of a state government policy for preferential procurement, or the extent to which the state had enabled FPOs to take up MSP procurement and/or act as marketing centres, or initiate contract farming activities with bulk buyers. Responses from FPO, CBBO, and State Level Producer Companies (SLPCs) are placed on a scale between 1 and 5 and in addition, a score between 1 and 5 is given based on our assessment of the state's procurement policies towards FPOs.

6. State Federation of FPOs

Although FPOs are seen as a useful mechanism for collectivising farmers, it is evident that most of them struggle as they have challenges on every front, with extremely limited technological, human, and financial resources. There are inherent difficulties in establishing backward and forward linkages in the value chain for an FPO. Therefore, Small Farmers' Agribusiness Consortium (SFAC) had initiated the establishment of state-level federations of FPOs, which would serve as an umbrella organisation for the FPOs of the state. The federation is expected to achieve coordination among the FPOs; enable them to access services and products from government and private agencies; seek credit from financial institutions; leverage opportunities in agribusiness; and facilitate in advocacy and policy dialogue with government agencies.

We assume that the presence of an umbrella FPO federation at the state level could improve efficiency and effectiveness of the FPOs at a much larger scale. Respondents were asked a set of questions to assess the presence, functioning, and engagement of an FPO federation. Responses from FPO, CBBO, SLPCs are placed on a scale between 1 and 5 and in addition, a score between 1 and 5 is given based on our assessment of the State Federation's functioning and engagement with FPOs in the respective states.

Based on these six parameters, we arrived at the EoDBF Index. In the EoDBF Index, a high score is an indicator of a better and conducive policy environment for enabling FPOs to do business. The following table provides the parameters, the weight for the parameters, and the sub-components of the parameters.

Table 2.2: Parameters, Sub-components, and Weights for the EoDBF Index

S. No.	Parameter	Weight	Maximum Sub-component Score
1	State-level FPO policy/guidelines	10	
1.1	Has the state adopted a policy and guideline for formation and promotion of FPOs?		5
1.2	Has the state instituted any CoE for FPOs or constituted any form of institution within or outside state agriculture department/ universities to support and guide the development of FPOs in the state?		5
2	Ease of obtaining licences for business	25	
2.1	Permit for storing fertilisers		5
2.2	Licence to sell, stock, or exhibit for sale or distribute insecticides		5
2.3	Seed sale licences		5
2.4	APMC licence		5
2.5	Registration of shop and establishment		5
3	Extension of scheme and non-scheme benefits to FPOs	25	
3.1	Equity Grant Scheme		5
3.2	Credit Guarantee Scheme		5
3.3	AIF (FPOs supported under AIF)		5

Table 2.2 (*contd.*)

S. No.	Parameter	Weight	Maximum Sub-component Score
3.4	e-NAM		5
3.5	Number of FPO registered on e-NAM platform		5
4	Access to credit	20	
4.1	Bank loans		10
4.2	NBFC loans		10
5	Preferential procurement	10	
6	State federation of FPOs	10	

3. Ranking of States for EoDBF

The performance of various states in terms of EoDBF can be seen from Table 2.3 and Fig. 2.1. Summary score of each parameter in various states/UTs is presented in Table 2.4. All 10 states considered for the purpose of this index/ranking have a strong focus on FPOs, and 7 out of 10 states have adopted and notified an FPO policy and have defined a guideline for formation and promotion of FPOs. It is important to note that all the 10 states considered for ranking in this index are among the states with the highest number of FPOs in the country; as stated earlier in the chapter, these states combined hold approximately 81% of all FPOs in India; over the last decade, a majority of these states here have implemented several pro-FPO policies and reforms that support and nurture FPOs.

The state of Maharashtra achieved first rank in the EoDBF Index with a score of 87.99 out of 100. The state is most supportive of the FPOs and it offers the best environment for FPOs to do business among all the states. Madhya Pradesh ranks second with a score of 82.19, closely followed by Uttar Pradesh, Tamil Nadu, Haryana and Karnataka at 3rd, 4th, 5th, and 6th place with a score of 82.17, 80.46, 80.10, and 79.40, respectively. In fact, the top five states have obtained scores upwards of 80 on 100 and no state considered for this ranking has a score below 70. With respect to ease of obtaining licences for FPO business, nine out of 10 states have a score greater than 20. It is interesting to observe that eight out of 10 states have a score between a narrow range of 20.11 and 22.78, which is the highest score for any state for this parameter.

In extending of scheme and non-scheme benefits to FPOs, seven out of 10 states hold a score one point away on either side of 19 out of the maximum possible score of 25. Maharashtra scores the highest with 22.99. FPOs in all 10 states currently enjoy similar level of access to credit and finance from both banks and NBFCs. Tamil Nadu leads the pack with a score of 9.08 out of 10 in access to credit for FPOs.

The states of Bihar and West Bengal, which have featured among the top 10 states with FPOs, have scored the 9th and 10th place, respectively. It is important to note these states have an EoDBF score upwards of 70 on 100. While Bihar is considered progressive in implementing pro-FPO policies, it did not figure among the top states for two reasons: one, the state is supportive of FPCs and setting up FPCs; however, Bihar has scored low particularly in ease of obtaining licences for business and in extension of scheme and non-scheme benefits to FPOs; and two, it did not enjoy the benefits of having an active SLPC or a state level federation of FPOs until very recently – Bihar Producer (BIHPRO), setup in July 2024. Prior to the setting up of BIHPRO, FPOs in Bihar operated in a fragmented manner, limited to block levels. However, West Bengal's low ranking is associated with the absence of a state-level FPO policy, ease of obtaining licences for business, extension of scheme and non-scheme benefits, poor access to credit, and a less active State Federation.

Speaking of SLPCs, they have demonstrably improved the enabling environment for FPCs in the states. SLPCs in Madhya Pradesh, Maharashtra, Tamil Nadu, and Uttar Pradesh are very active and have found a model to stay relevant and support FPOs and the growth of FPOs in their respective states.

SLPCs in Madhya Pradesh and Maharashtra participate as procurement agents in MSP procurement, for processors and private-sector players, and have developed working relationships with more than 100+ FPCs across the state, thus ensuring business for these FPCs. The Tamil Nadu government does not permit FPOs to participate in MSP procurement, and despite this, it has been a long-standing demand of the FPOs in the state. One can associate Tamil Nadu's 4th position with a "zero" it scores for preferential procurement. Simply allowing FPCs in the state to be at par with Primary Agricultural Credit Society (PACS) and co-operatives in MSP procurement will catapult Tamil Nadu to Rank 2. Despite this hurdle, Tamil Nadu has implemented several pro-FPO policies, established dedicated institutions for the promotion and support of FPOs in the state such as Tamil Nadu Rural Transformation Project (TNRTP). Unlike in other states where SLPCs operate just as a higher level FPC involved in aggregation and trading, Tamil Nadu State Level Producer Company (TNSLPC) uniquely offers paid services to FPOs such as market linkages, access to buyer-seller meets, licence procurement, agri extension services, compliance and audit support, networking opportunities, and policy support. An interesting chart presented towards the end of this chapter does show how Tamil Nadu is equipping their existing FPOs with adequate capital over a focus on mere numerical strength of FPOs (Fig. 2.4). UPPRO, an SLPC in Uttar Pradesh, also offers complementary support services to FPOs. Bhooswamini Mahila Kisan Producer Company Limited (BMKPCL) is an SLPC recently set up in UP under the aegis of Uttar Pradesh State Rural Livelihoods Mission (UPSRLM) to provide comprehensive support to FPCs across the state. While the state of Karnataka comes in at the sixth place in this index with a score of 79.40, it has done many things right and has several policies supportive of FPOs in the state. It is necessary to note that Karnataka is the only state that has instituted a dedicated FPO CoE. It is one of the best states and it competes with Tamil Nadu and other top states ranked above it. It is important to highlight that Odisha and Rajasthan, which score 78.29 and 77.96, are not too far away from Karnataka or Haryana's 79.40 and 80.10, respectively, or even Madhya Pradesh's score of 81.19. Odisha is one of the states that is fast turning favourable for FPOs. Odisha does not have an SLPC. There is a need for an SLPC in Odisha and the presence of one will move the environment more in favour of FPOs by providing the necessary support and engaging with FPCs in the state. On the other hand, All Rajasthan Small Farmer Agri Producer Company Ltd, an SLPC, was set up in in 2015 with the support of SFAC. However, it is now limited to providing complementary support services to FPOs such as statutory and legal compliance support, has little ability to influence state policies, and needs revival. Rajasthan is known for implementing pro-FPO policies and continues that effort. While it can be said that there is always scope for further improvement in all the above areas, these 10 states have done a commendable job in nurturing FPOs.

Table 2.3: Ranking of States Based on EoDBF Index

State	EoDBF Index Score (*out of 100*)	Rank
Maharashtra	87.99	1
Madhya Pradesh	82.19	2
Uttar Pradesh	82.17	3
Tamil Nadu	80.46	4
Haryana	80.10	5
Karnataka	79.40	6
Orissa	78.29	7
Rajasthan	77.96	8
Bihar	72.59	9
West Bengal	70.33	10

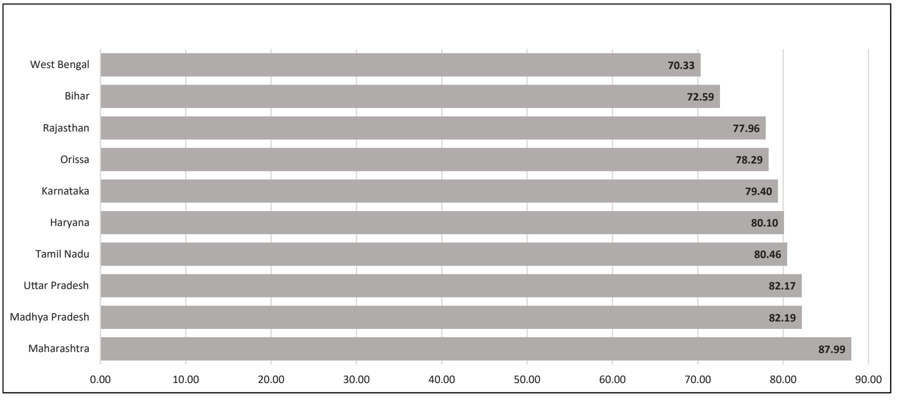

Figure 2.1: States' Score in terms of of Ease Doing Business for FPOs Index
(*Score – Out of 100*)

4. Methodology for Scoring and Ranking of States

The Index involves quantification of score at two levels. The maximum score of 100 has been distributed over six dimensions representing

(1) State-level FPO policy/guidelines;
(2) Ease of obtaining licences for business;
(3) Extension of scheme and non-scheme benefits to FPOs;
(4) Access to credit;
(5) Preferential procurement;
(6) State federation of FPOs.

In the first stage, weight was assigned to each of the six dimensions included in the EoDBF. State-level FPO policy/guidelines which recognises the states' focus on FPOs was assigned a weightage of 20 out of 100.

State-level FPO policy/guidelines carries a weight of 10%. Ease of obtaining licences for business of FPO has been given a weightage of 25%. The parameter measures percentage of FPOs who have secured the licences in the state, time taken, cost involved, number of documents required and the capability of FPOs to independently apply for each of the licences required for the FPO to commence input and output business

Table 2.4: Parameters, Sub-components and Weights for the Ease of Doing Business for FPOs in India Index

					Given Score (0-5)									
S. No.	Parameter	Weight	Maximum Sub-component Score	Methodology	Uttar Pradesh	Maharashtra	Karnataka	Tamil Nadu	Madhya Pradesh	Rajasthan	Bihar	Odisha	West Bengal	Haryana
1	**State-level FPO policy/guidelines**	10												
1.1	Has the state adopted a policy and guideline for formation and promotion of FPOs?		5	Policy Adopted, Policy Notified	5.00	5.00	5.00	5.00	5.00	5.00	2.50	5.00	2.50	2.50
1.2	Has the state instituted any CoE for FPOs or constituted any form of institution within or outside state agriculture department/ universities to support and guide the development of FPOs in the state?		5		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00	4.00
2	**Ease of obtaining licences for business**	25												
2.1	Permit for storing and selling fertilisers		5		4.72	4.19	4.41	4.11	3.92	4.33	3.60	4.57	4.21	4.74
2.2	Licence to sell, stock, or exhibit for sale or distribute insecticides		5		4.76	4.08	4.42	4.17	3.90	4.34	3.91	4.45	4.07	4.72

Table 2.4 *(contd.)*

					Given Score (0-5)									
S. No.	Parameter	Weight	Maximum Sub-component Score	Methodology	Uttar Pradesh	Maharashtra	Karnataka	Tamil Nadu	Madhya Pradesh	Rajasthan	Bihar	Odisha	West Bengal	Haryana
2.3	Seed sale licences		5		4.71	4.18	4.44	4.16	4.19	4.38	3.62	4.74	4.39	4.65
2.4	APMC/Mandi licence		5		4.22	4.15	4.50	4.16	3.86	3.56	3.00	4.49	4.18	4.31
2.5	Registration of shop and establishment		5		3.70	4.08	4.16	4.19	4.07	3.50	3.86	4.39	4.31	4.37
3	**Extension of scheme and non-scheme benefits to FPOs**	25												
3.1	Equity grant support (Up to 2023)		5		3.97	5.00	4.24	4.66	3.55	3.20	3.00	3.02	3.44	3.62
3.2	Credit guarantee (Up to 2022)		5		3.18	4.56	3.75	5.00	4.05	3.28	3.00	3.21	3.23	3.10
3.3	No of FPOs supported under AIF (Up to 07/2022)		5		3.17	4.39	3.39	3.22	3.44	3.83	3.00	3.89	3.50	5.00
3.4	e-NAM (Up to 2023)		5	Nos. of Markets Integrated	4.58	4.68	3.00	5.00	4.76	4.84	3.20	3.80	3.17	4.36
3.5	No of FPO registered on e-NAM (Up to 30th June 2025)		5		4.53	4.35	3.00	4.05	3.81	4.33	3.81	5.00	4.24	3.99
4	**Access to credit**	20												

Table 2.4 *(contd.)*

					Given Score (0-5)									
S. No.	Parameter	Weight	Maximum Sub-component Score	Methodology	Uttar Pradesh	Maharashtra	Karnataka	Tamil Nadu	Madhya Pradesh	Rajasthan	Bihar	Odisha	West Bengal	Haryana
4.1	Bank loans		10		8.96	8.55	8.06	9.24	7.51	7.71	7.61	7.86	8.22	8.18
4.2	NBFC loans		10		7.26	7.68	8.51	9.00	7.22	6.00	7.94	6.98	7.20	9.18
5	**Preferential procurement**	10	5+5		8.00	8.58	7.50	0.00	8.40	8.65	8.43	8.57	7.92	7.38
6	**State federation of FPOs**	10	5+5		6.40	9.50	6.00	9.50	9.50	6.00	7.12	3.32	5.76	6.00
	Total	**100**			**82.17**	**87.99**	79.40	80.46	82.19	77.96	72.59	78.29	70.33	80.10

operation – seed, fertiliser, pesticide, mandi, shop establishment/trade licence in the state. Each licence is given a sub-score or weight of 5 out of 100. Extension of scheme and non-scheme benefits to FPOs by each state is given 25% weightage. Access to credit has two parts – bank lending and NBFC lending – and each is given a weight of 10% and an overall weight of 20%. Preferential procurement /procurement policies of the state and the presence and functioning of SLPCs is given 10% weight each.

For the purpose of this research and scoring, National Association for Farmer Producer Organisations (NAFPO) tasked Development Intelligence Unit (DIU) to conduct a survey on their behalf. The survey achieved a sample size of ~313 respondents across ten states: Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, Madhya Pradesh, Rajasthan, Bihar, Odisha, West Bengal, and Haryana. The survey was conducted, and data was captured following well-established practices.

For parameters (2) Ease of obtaining licences for business and (4) Access to credit, the average of the responses between the 10th and 90th interpercentile range was computed for each question belonging to the respective component/sub-component for individual states. This interpercentile range was chosen to capture the central tendency of the responses while effectively trimming extreme values that might not be representative of the typical experience and further improve the quality of responses/data. This is for questions with numerical responses. For questions with "Yes (or) No" responses, the percentage of "Yes" responses in the entire data was computed for each question belonging to each component/sub-component for individual states.

To ensure comparability across different questions and to present the results on a consistent scale, the above values (averages and '% Yes' scores) were normalised and rescaled to a linear range between 3 and 5, within the original 1-to-5 scale for parameter (2) and rescaled to a linear range between 6 and 10, with the original 1-to-10 scale for parameter (4). Thus, the averages and '% Yes' value were given a score between 3 and 5 on a linear scale for each question. For numerical responses, the state with the lowest average received a score of 5 and the highest average received a 3 for each question and all states with averages in between received a linearly interpolated score between 3 and 5. For "Yes (or) No” questions, the state with the highest ‘% Yes’ received the highest score of 5, the state with the lowest ‘% Yes’ received a score of 3, and all states with in between ‘% Yes’ values received a linearly interpolated score between 3 and 5.

There is no score below 3 to permit for lower scores in the future when more states are considered in the next iteration of this Index. For each variable, if there is more than one aspect under consideration, an average of average scores was calculated and assigned to the component or sub-components of each parameter.

The methodology employed here is different from the methodology used in the EoDBF Index 2024 where the average of numerical responses for each state from the survey were placed under five different buckets derived by dividing the range between the minimum and maximum response of the entire data range by the number of buckets, i.e. 5 in this case. Each bucket was assigned a score between 3 and 5 points with a difference of 0.5 point in ascending order. And for each variable, if there is more than one aspect under consideration, an average of the score assigned to the averages was calculated and further assigned to the variable/parameter. The challenge with this method is that a state scoring an average at the bottom end of the bucket range and a state scoring an average at the top end of the bucket received the same score.

The new methodology adopted in EoDBF 2025 considers ranking of the states on this Index on a relative scale and accounts for a more nuanced approach, capturing even minor difference in a state’s performance on each variable/parameter. Thus, this Index is more granular and can capture close/near similar performance among states and the score is more representative of the state’s actual performance.

For the parameter (5) Preferential procurement, and (6) State federation of FPOs, there are 2 parts to the scoring – one, a score on a scale of 1–5 following the above approach to the responses received from the survey as for parameters (2) and (4), and two, an additional score on a scale of 1–5 assigned by our interaction with SLPCs/ State Federations, CBBOs and respective government departments. The final score on a scale of 10 is assigned by combining both the scores for one and two.

For parameter (3) Extension of scheme and non-scheme benefits to

FPOs, relative scoring was assigned on a scale of 1 to 5. For parameter (1) State-level FPO policy/guidelines, scoring was assigned depending on their weights based on thorough secondary research and data made available on the websites of concerned Ministries of Government of India, State Government, and interaction with State Federations/SLPCs.

The EoDBF Index is an effective attempt to create an index that measures the level of support the state offers for the business of FPOs.

5. EoDBF Survey

The survey aimed to examine the ease of doing business and the barriers faced by FPOs. It was conducted by the DIU.

To ensure a robust and representative sample, the survey employed a **multi-stage sampling design**. This approach acknowledges the potential for non-response and incomplete data collection. In the first stage, a **sampling frame** was established by utilising the pool of phone numbers for FPOs and CBBOs provided by NAFPO from the NAFPO database. This frame aimed to capture the diversity of FPOs across the target states. Following established practices in telephone surveys, a **contact ratio** of at least five attempts per phone number was employed. This strategy aimed to maximise the response rate and mitigate potential biases introduced by non-response. In this study, with a target sample size of 30 respondents per state, a **sub-sampling frame** of 150 phone numbers was initially selected within each state. This resulted in a cumulative total of 1,500 phone numbers across all six states.

Finally, respondents were **randomly selected** from this sub-sampling frame using a computer-aided random sampling technique. This ensured an unbiased selection process and increased the generalisability of the findings to the broader FPO population within the target states. A total of 313 responses were recorded across all 10 states ensuring at least 30 responses per state. There is an intentional healthy mix of CBBO responses (20–30% of all responses) among the 30 responses for each state and on an average each CBBO had promoted at least 10+ FPOs each in their respective state since 2021.

In order to further strengthen our research, we sought supporting evidence by exploring correlations within external datasets. One curious attempt led to particularly interesting exploration involving the Ministry of Corporate Affairs (MCA) database, which records paid-up capital values for FPOs. Our analysis of the MCA data revealed that, out of approximately 41,000 active FPOs in India, only 310 have a paid-up capital exceeding ₹15 lakh, while 3,249 FPOs have a paid-up capital between ₹5 lakh and ₹15 lakh. And we have recorded state-wise data of such FPOs with higher paid-up capital.

Motivated by these findings, we delved deeper into the data to uncover further supporting correlations.

Success breeds Success!

A higher paid-up capital is often indicative of increased trust among members in both the FPO itself and the FPO model more broadly. A higher paid-up capital can set the stage for increased success. It enables FPOs to access higher credit limits, aggregate more produce, invest in value addition and processing, garner improved margins, offer greater member benefits, and tap into new opportunities. Additionally, higher capital can facilitate access to government schemes and support convergence.

With this premise, we conducted a preliminary analysis, comparing each state's EoDBF Index Score with (i) the number of FPOs having paid-up capital exceeding ₹15 lakh and (ii) the average paid-up capital of such FPOs in the ten states considered for this Index, based on data from the MCA.

Notably, Maharashtra stands out, ranking highest on the EoDBF Index. The state has the largest number of FPOs with paid-up capital above ₹15 lakh (117 such FPOs), and these organisations have an average paid-up capital of ₹90.51 lakh. A simple visualisation of this metric across the states in the study reveals a clear correlation between a state's position on the EoDBF Index and both the number of FPOs with higher paid-up capital and the average value of their paid-up capital. ***This suggests that a favourable business environment may foster stronger member trust and greater capital accumulation among FPOs***. Fig. 2.2 and Fig. 2.3 show this corelation visually.

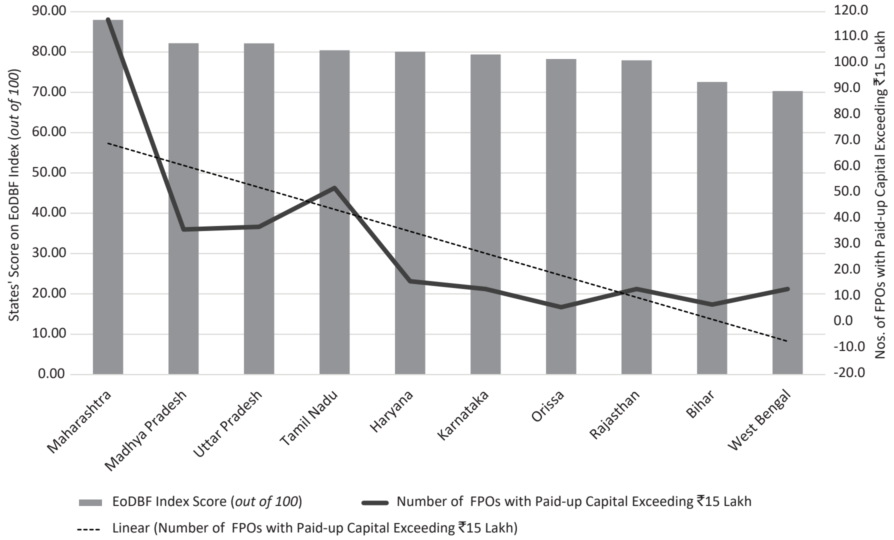

Figure 2.2: Sates' EoDBF Score v/s Number of FPOs in Each State with Paid-up Capital Exceeding ₹15 Lakh

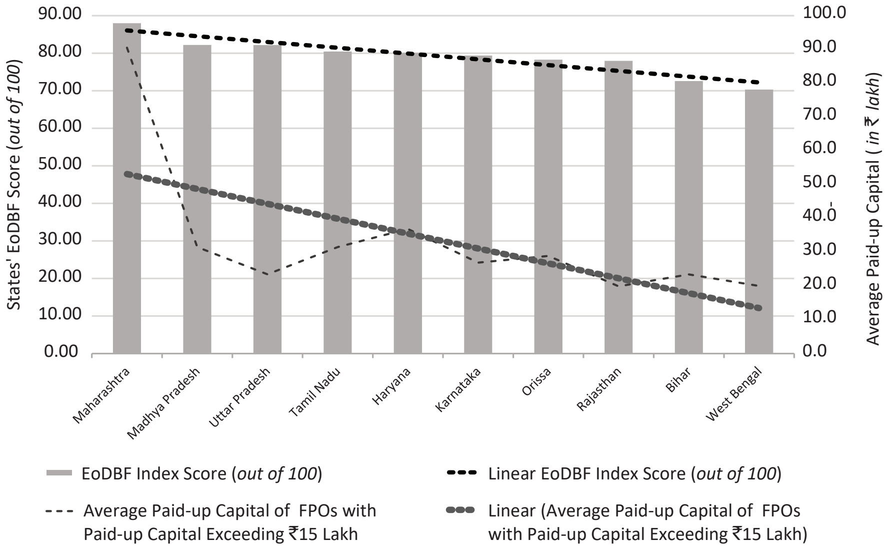

Figure 2.3: State's EoDBF Score v/s Average Paid-up Capital of FPOs in Each State with Paid-up Capital Exceeding ₹15 Lakh

Another insightful approach we took was to plot each state's EoDBF score against the percentage of FPOs with a paid-up capital exceeding ₹15 lakh, as shown in Fig. 2.4. While the chart generally aligns with our earlier findings, it does reveal an interesting deviation: Tamil Nadu stands out with a notably higher percentage of FPOs having larger average paid-up capital. This suggests that Tamil Nadu has prioritised strengthening its FPOs by equipping them with adequate capital, rather than simply focusing on creating more FPOs. In contrast, Uttar Pradesh has seen the formation of many FPOs with relatively small paid-up capital, indicating a strategy that favours quantity over financial robustness.

Overall, the top three states have performed better than the bottom five – except for Tamil Nadu, which demonstrates an exceptional spike in performance. Alternatively, we can state that the top five states have outperformed the bottom five, in terms of equipping FPOs with sufficient capital.

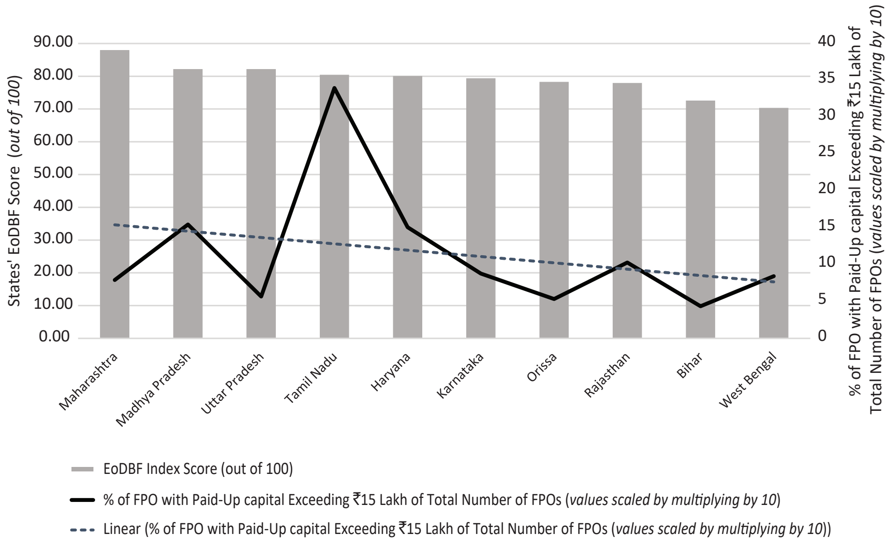

Figure 2.4: EoDBF Score v/s Percentage of Total FPOs in State with Paid-up Capital Exceeding ₹15 Lakh

Chapter 3

Credit Demand of FPOs – A Credit Market Estimation Exercise

Priyadarshini Ganesan and Aashish Argade

1. Introduction

Capital is among the four fundamental factors of production, playing a crucial role in facilitating the adoption of machinery and technology that enhance labour productivity and organisational efficiency. Regardless of size, all enterprises require capital not only for their establishment but more crucially for their growth. However, many enterprises find it challenging to meet their capital needs through internal resources fully and therefore rely on credit to drive expansion and modernisation.

Economists have long recognised the importance of accessible and affordable capital. The availability of low-cost credit is considered essential for promoting the uptake of technology and developing the necessary infrastructure. Our experience at National Association for Farmer Producer Organisations (NAFPO) further affirms this perspective.

Given that most FPOs start with a low paid-up capital, access to credit is not merely desirable but also essential. In the initial phase of the FPO, credit supports stabilisation. As FPOs grow, credit becomes vital for scaling operations and making strategic investments. For more mature FPOs, credit enables infrastructure development, technology adoption, and growth into Cluster-Based Business Organisations (CBBOs). Nevertheless, FPOs often face persistent challenges in accessing adequate and timely credit across all stages of their growth trajectory. This gap underscores the need for concerted interventions to support the long-term viability and success of FPOs.

Access to credit in the formative stages is particularly critical for the sustainability of FPOs. The inability to access timely credit in this phase can deplete paid-up capital and severely undermine their ability to establish themselves as viable enterprises. At later stages of development, restrictions in credit access can constrain FPOs from expanding operations, diversifying business activities or undertaking investments necessary for long-term sustainability. When the envisioned commercial returns to FPOs and their members are not realised, the broader social outcomes associated with collectivisation might also diminish over time. Although a range of financial organisations, from National Bank for Agriculture and Rural Development (NABARD) to scheduled commercial banks and Non-Banking Financial Companies (NBFCs), have developed credit products for FPOs, significant gaps remain. Notably, there is limited clarity on the overall credit demand or market size of credit for FPOs. This lack of sector-level data hinders lenders' ability to design suitable financial products for FPOs.

This article aims to provide a preliminary estimate of the credit requirements of FPOs, drawing on the experience of professionals who have been closely associated with FPOs for several years in their development and operations. The credit market size presented here reflects a snapshot of credit demand at any given point in time. While the estimate may be rudimentary, it is intended as a methodological starting point for further enquiry and sharper estimates in future.

2. Methodology

The market for FPO credit remains nascent and is expanding in tandem with the increasing number of FPOs across the country. Given the absence of comprehensive and reliable data on the number, scale and operational characteristics of FPOs, we rely on a set of assumptions derived through expert consultation. These assumptions serve as indicative estimates, grounded in the experiential knowledge of stakeholders who are deeply embedded in the FPO ecosystem.

In-depth interviews were conducted with ten experts who possess over a decade of direct experience with FPOs in diverse capacities. The respondents represent a range of institutions that have played a significant role in promoting and building the capacity of FPOs, including Andhra Pradesh Mahila Abhivruddhi Society (APMAS), ACCESS Development Services (AccessDev), Professional Assistance for Development Action (PRADAN), Reliance Foundation, Samunnati Foundation, and Self-Reliant Initiatives through Joint Action (SRIJAN).

The methodological approach combines qualitative primary data obtained through expert interviews with secondary data sourced from a select financial institution that significantly contributes to FPO lending in India. This hybrid method enables a grounded estimation of credit demand while acknowledging the limitations posed by the scarcity of granular data.

The following section outlines the core assumptions that underpin our analysis.

3. Assumptions

The first step in estimating the credit requirement of FPOs involved establishing certain foundational assumptions based on our observations and expert insights.

i. It is assumed that the credit requirement of FPOs is positively correlated with annual turnover, i.e., FPOs with higher turnover are likely to require a larger quantum of credit to support their scale of operations and manage their working capital cycles.
ii. Credit requirement is assumed to be shaped by the nature of business activities undertaken by FPOs. While some FPOs primarily engage in input sales, others focus on output aggregation, and some are involved in processing. Some operate across multiple verticals. Each of these business models would, therefore, vary in their credit requirement.
iii. It is assumed that not all FPOs with a notional need for credit would translate into effective demand. Variations in profitability,

governance capacity, and strategic orientation mean that a proportion of FPOs may be unable to absorb or repay credit effectively, thereby constituting the non-addressable segment of the FPO credit market.

Invariably, these assumptions inherently introduce a degree of approximation to the final credit market size estimate. By acknowledging this, care has been taken to avoid overtly ambitious and optimistic assumptions that can inflate the estimate beyond general acceptance, or pessimistic assumptions could lead to estimates that are far below the sector's absorption capacity. The objective was to adopt as neutral and impartial a stance as possible, to carefully read the comments, opinions, and data provided by sector experts, and to make a useful and at least partially reliable estimate of the market size for FPO credit.

Based on these assumptions, we categorised FPOs into four categories based on their turnover. For each category, credit requirements were estimated based on their likely business models. The methodological details are presented in the following section.

3.1 Categorisation of FPOs: Turnover

As discussed above, the credit requirement of FPOs is closely tied to the scale of their operations, which is typically measured through annual turnover. Accordingly, for this estimation, FPOs were classified into four categories based on turnover. The four categories, along with the estimated proportion of FPOs in each category, are presented in Table 3.1 below.

Table 3.1: Categorisation of FPOs Based on Turnover

S. No.	Turnover (*in ₹ lakh*)	Percentage of FPOs in the Category
1	Up to 25	20%
2	25 to 50	40%
3	50 to 100	30%
4	>100	10%

Insights gathered from expert interviews suggest that most FPOs typically begin on a small scale, with an annual turnover of a few lakh. While some gradually scale up their operations, very few achieve annual turnovers of over ₹1 crore. Many FPOs were established under the government's 10,000 FPO program, and they have been operational for over five years. Assuming that these are still in the early stages, their turnover is assumed to be around ₹50 lakh. In contrast, FPOs that have been successfully operational for a longer period are presumed to have grown in scale and operations, thereby requiring a higher loan amount. However, data and conversations with lenders indicate that loans exceeding ₹50 lakh remain rare, suggesting that very few FPOs fall within this upper turnover category. Based on these insights, it is estimated that not more than 10% of all FPOs operate at this scale.

3.2 Categorisation of FPOs: Business Activities

For this estimation, FPOs have been classified into three principal business models: (i) input-focused, (ii) output aggregation or trading-focused, and (iii) processing-focused. Although there is significant overlap in the activities of FPOs, with many FPOs engaging in a combination of these activities, these were intentionally excluded from the analysis to maintain methodological clarity and avoid compounding assumptions. Accordingly, 80% of all FPOs are assumed to primarily operate within the input and trading segments, while the remaining 20% are engaged in processing to a degree sufficient to be classified as such.

Furthermore, it is also assumed that all categories of FPOs, regardless of their turnover or business model, would need working capital credit. However, the need for capital investment loan varies by turnover category and business model, reflecting differences in business maturity, scale of operations, and capital intensity. The estimated distribution of FPOs across turnover brackets and business activity categories, along with the estimated proportion requiring credit, is presented in Table 3.2.

Table 3.2: FPO Classification for Credit Based on Turnover and Business Activities

	Turnover (*in ₹ lakh*)	Percentage of FPOs having Credit Requirement
Percentage of FPOs in inputs or trading business		80%
Working Capital		100%
Capital Investment	Up to 25 25 to 50 50 to 100 >100	0% 2% 5% 10%
Percentage of FPOs in the processing business		20%
Working Capital		100%
Capital Investment	Up to 25 25 to 50 50 to 100 >100	5% 10% 15% 20%

To aid clarity, a portion of the above table is explained here. The first row beneath the column headings refers to the "Percentage of FPOs in inputs business", which is assigned a value of 80% as seen in the last column of the row. This indicates the assumption that 80% of all FPOs operate in either input supply or trading.

In the subsequent row titled "Working Capital," the corresponding figure of 100% indicates that all FPOs operating in input supply or trading require working capital. Within this segment, the demand for capital investment credit varies by turnover. For example, FPOs with a turnover of up to ₹20 lakh are assumed to have negligible or non-qualifying demand for capital investment loans. Consequently, the proportion shown is 0% either because such FPOs lack the capacity to productively absorb capital or because their credit demand does not fall within the addressable market.

Conversely, for FPOs with turnovers exceeding ₹1 crore, 10% would require capital investment loans. This reflects the greater scale of operations and likely infrastructure needs of such large FPOs.

Here, FPOs engaged in processing are treated in a distinct manner. Unlike input supply or trading-focused FPOs, processing-focused FPOs are assumed to exhibit demand for capital investment across all turnover categories, given the capital-intensive nature of processing operations.

3.3 Ticket Size of Loans

The average loan size for both capital investment loans and working capital loans was estimated in relation to the turnover brackets of FPOs. Here, no distinction is made between the FPO business activity (input, trading, and processing). Instead, an average loan ticket size was applied to all FPOs within each turnover category. This methodological choice is recognised as a simplification. However, in the absence of disaggregated data by business line, it was considered a reasonable approximation for this preliminary estimation.

The estimated average loan amounts for capital investment and working capital, segmented by turnover category, are presented in Table 3.3.

Table 3.3: Average Loan Ticket Size for Investment and Working Capital

Loan Type	Turnover (*in ₹ lakh*)	Average Ticket Size (*in ₹*)
Capital Investment	Up to 25	2,00,000
	25 to 50	5,00,000
	50 to 100	10,00,000
	>100	25,00,000
Working Capital	Up to 25	5,00,000
	25 to 50	10,00,000
	50 to 100	25,00,000
	>100	50,00,000

3.4 Addressable Market

The final step in our estimation process involved determining the size of the addressable credit market for Farmer Producer Organisations (FPOs).

The total number of FPOs registered with the Ministry of Corporate Affairs (MCA) served as the baseline, estimated at approximately 43,000.

However, not all registered FPOs were considered part of the addressable market. Based on expert inputs, it was assumed that only 75% of these FPOs represent a viable market for credit. This comprises FPOs that have established some degree of business stability, demonstrated commercial viability, articulated growth plans, and are assessed to possess the institutional and managerial capacity to absorb credit effectively.

This refinement acknowledges the heterogeneous nature of Indian FPOs and seeks to account for only those formally registered FPOs that are in a position to engage meaningfully with financial service providers.

Table 3.4: Addressable Market Size of FPOs for Credit

Universe of FPOs	43,000
Addressable market of FPOs for credit (@ 75% of the universe)	32,250

4. Credit Market Estimation

In this section, the credit requirement is estimated based on the set of assumptions outlined in the previous sections. As the first step, drawing from Table 3.1, the estimated number of FPOs within each turnover group is presented in Table 3.5.

Table 3.5: Turnover Segment-wise Distribution of FPOs

Annual Turnover (*in* ₹)	Percentage of FPOs	No. of Qualified FPOs
<25 Lakh	20%	6,450
25 to 50 Lakh	40%	12,900
50 Lakh to 1 Crore	30%	9,675
>1 Crore	10%	3,225
Total	100%	32,250

The number of eligible or "addressable" FPOs in each turnover category was estimated by applying the percentage distributions presented in the second column of Table 3.1 to the total number of addressable FPOs, i.e., 32,250 FPOs.

Of these 32,250 FPOs, 80% are assumed to operate in either input supply or trading business, and the remaining 20% in processing business.

To estimate the total credit requirement, we combine three key elements: (i) the number of FPOs in each turnover category, (ii) their estimated loan ticket sizes (based on turnover), and (iii) the type of credit required (working capital or capital investment). This calculation is presented in Table 3.6. Based on this framework, the total estimated credit demand of FPOs is projected to exceed ₹5,800 crore. Of this, approximately ₹5,600 crore is expected to be working capital requirements, while around ₹189 crore is attributed to capital investment needs for infrastructure and machinery.

5. Conclusion and Way Forward

This estimation represents one of the earliest, if not the first, systematic attempts to estimate the credit demand of FPOs in India. In the absence of hard data, the estimation relied primarily on a series of structured assumptions informed by the practical knowledge and observations of domain experts. Where possible, the assumptions and resulting calculations were cross-verified with lenders operating in the FPO space. This analysis does not claim precision in quantitative terms, given the vast array of logical, albeit subjective, assumptions that underlie it. However, the methodology is intended to serve as a useful foundation for further enquiry.

It is also pertinent to note that this credit estimation reflects a point-in-time credit requirement, rather than a forecast for a specific period. In practice, credit needs vary significantly based on cropping patterns, cropping cycles, post-harvest processing requirements, perishability, and other market dynamics. This estimation exercise has intentionally abstracted from such complexities to retain methodological focus. Nonetheless, these omitted complexities provide valuable scope for future research in this domain. The subsequent analysis could adopt a value chain-specific approach and incorporate historical credit data as they become available. It is hoped that the present estimation will stimulate further efforts in this direction and contribute meaningfully to the evolving discourse on FPO financing in India.

Table 3.6: Credit Estimation – Based on FPO Turnover and Business Activity

	Annual Turnover (*in ₹ lakh*)	Percentage of FPOs with Credit Need	No. of Qualified FPOs for Credit	Average Ticket Size (*in ₹ lakh*)	Credit Need (No. of Qualified FPOs*Average Ticket Size)
Input/Trading FPOs		80%	25,800		
Working Capital	Up to 25	100%	5,160	5	25,800.00
	25 to 50		10,320	10	1,03,200.00
	50 to 100		7,740	25	1,93,500.00
	>100		2,580	50	1,29,000.00
Capital Investment	Up to 25	0%	0	2	0
	25 to 50	2%	206.4	5	1,032.00
	50 to 100	5%	387	10	3,870.00
	>100	10%	258	25	6,450.00
Processing FPOs		20%	6,450		
Working Capital	Up to 25	100%	1,290	5	6,450.00
	25 to 50		2,580	10	25,800.00
	50 to 100		1,935	25	48,375.00
	>100		645	50	32,250.00
Capital Investment	Up to 25	5%	65	2	129.00
	25 to 50	10%	258	5	1,290.00
	50 to 100	15%	290	10	2,902.50
	>100	20%	129	25	3,225.00
Total Credit Demand					**5,83,273.50**

Chapter 4

The Trailblazers: Enterprise-Ready FPOs Based on Lighthouse FPO Model

Anil Kumar SG

1. Introduction

India's agriculture sector sustains close to 120 million smallholder farmers and accounts for approximately 18% of the national GDP. Despite various interventions, the sector continues to struggle with multiple challenges, including fragmented landholdings, restricted access to official financing, volatile markets, and inadequate infrastructure. In the last decade, Farmer Producer Organisations (FPOs) have come as an effective solution to address these structural constraints, allowing farmers to leverage the power of collectivisation through aggregation. As of 2024, more than 35,000 FPOs have been registered across India ***(Source: Bharat FPO Finder)***. This includes FPOs formed through both government and private sector initiatives. A significant contributor to this surge in FPO numbers has been from the Government of India's Central Sector Scheme (CSS) for Formation and Promotion of 10,000 FPOs, launched in February 2020, to provide financial, technical, and institutional support to FPOs.

These impressive numbers, however, did not translate into corresponding financial empowerment, institutional maturity, or market-readiness of FPOs. Data from National Association for Farmer Producer Organisations (NAFPO) reveals that the median paid-up capital of most FPOs stands at merely ₹1 lakh, with nearly 75% of them having less than ₹5 lakh in capital – a figure far too modest to sustain or scale up business operations. This weak financial foundation severely limits their ability to influence the agricultural value chain in any meaningful way. As a result, the promise of building robust, self-sustaining FPOs capable of transforming rural agribusiness remains largely unfulfilled.

The gap between aspiration and achievement in the FPO landscape is not merely a matter of scale, but of approach. While numerous interventions have focused on promoting FPO formation and supporting early-stage operationalisation, relatively few have prioritised enabling these institutions to evolve into viable, growth-oriented enterprises. As a result, many FPOs remain structurally underprepared to engage meaningfully in value chains, expand their revenue streams, or attract long-term investment. Sector-wide challenges such as high FPO mortality (estimated at nearly 30% within the first five years), limited business growth, and weak integration into mainstream markets persist, underscoring the need to move beyond formation support towards a more comprehensive enterprise-readiness paradigm.

The Lighthouse FPO (LHFPO) initiative by Samunnati is designed as an innovative and holistic solution to address the persistent challenges faced by FPOs. As an agri value chain enabler, Samunnati empowers FPOs by enhancing their access to markets, financial services, and capacity-building. By focusing on aggregation, innovation, and risk-tolerant support, LHFPOs enhance farmer bargaining power, improve price realisation, and enable long-term sustainability. These FPOs are positioned not just as creditworthy institutions, but as entrepreneurial entities capable of generating value at scale. The overarching goal is to build a new generation of farmer-led businesses that are resilient, inclusive, and future-ready – serving as models for replication across India's agricultural landscape.

2. LHFPO – The Background and Philosophy

The LHFPO initiative by Samunnati was conceptualised to address structural gaps in the entrepreneurial transformation of FPOs and demonstrate what enterprise-readiness can look like in practice. It aims to nurture a cohort of FPOs that are not only market-aligned and financially resilient, but also replicable, climate-aware, and socially rooted. These FPOs are envisioned as next-generation farmer enterprises – grounded in sound governance, diverse revenue strategies, and long-term business viability.

By supporting FPOs to move beyond conventional credit-readiness, the Lighthouse initiative seeks to create benchmark institutions that reflect excellence in governance, business management, market integration, and social-environmental performance. These FPOs are manifestations of enabled farmer collectives that function as professional, competitive businesses.

These LHFPOs are intended to position themselves as industry leaders, establishing standards for growth, innovation, and operational excellence.

The following three core concepts form the framework of the program's philosophy:

1. *Enterprise-Readiness Is Needed for Sustainable Impact*
   Having access to funding is important, but not enough. To have a long-lasting effect, FPOs require to have the capacity to formulate strong business plans, diversify their sources of income, and fully integrate into value chains. They must be market and socially driven, with sufficient engagement leading to a functional aggregation of smallholder farmers.
2. *Risk-Tolerance and Innovation*
   To unlock growth potential, FPOs must be supported through innovative structures that accommodate risk and experimentation. Samunnati's philosophy embraces risk-tolerant underwriting, focusing on potential and future business capability rather than only historical performance. This mindset is essential for enabling innovation and enterprise transformation.
3. *Models that Inspire Systemic Change*
   Enterprise-ready FPOs can act as visible models that inspire

replication. By demonstrating the transition from subsistence-based operations to market-oriented businesses, LHFPOs serve as catalysts for broader ecosystem change. Their success stories help build confidence among farmers, partners, and policymakers in the transformative potential of well-supported FPOs.

3. Empowering FPOs to Transcend Sectoral Challenges

The LHFPO program adopts a structured and selective approach to identify high-potential FPOs that demonstrate promise for enterprise-readiness. The selection process is both rigorous and adaptive, categorising FPOs into four strategic groups – (a) Nascent FPOs, (b) Diversified revenue-stream FPOs, (c) Diversified commodities and emerging performers, and (d) FPOs with aggregation capability to act as Cluster-Based Business Organisations (CBBOs) or network partners.

Each category is defined by unique performance indicators and business potential, ensuring the cohort remains diverse and representative of the sector's evolving needs.

a. **Growth-Focused Performance**
   FPOs are often evaluated based on their ability to achieve sustainable business growth while strengthening and engaging their member base. The LHFPO model has enabled greater trust and involvement from the farmers. Several well-performing FPOs have seen consistent improvements in revenue and operational capacity. This kind of progress ensures that farmers are not only part of the business process but also stand to gain tangible economic and social benefits from its success.
b. **Revenue Diversification**
   Selected FPOs must indicate an intention to develop a wide range of revenue streams, such as value addition, processing, output procurement, input distribution, Custom Hiring Centres (CHCs), and new marketing channels. Program data shows that LHFPOs with three or more sources of revenue are 2.5 times likely to be profitable within three years than FPOs with one revenue source.

c. **Specialised Value Chain Operations**
Certain FPOs perform exceptionally well in handling specialised, horizontally integrated or allied-sector value chains like dairy, poultry, or floriculture where they coordinate the whole process from production to market supply. For instance, LHFPOs in the dairy industry helped boost price realisation for members by 25% and increased milk procurement volumes by 40%.

d. **Emerging Performers**
The program also identifies early-stage FPOs that show strong leadership, ambition, and responsiveness to capacity-building support. Early support and guidance have helped these FPOs realise 15–20% higher member retention and quicker business expansion/growth than sector averages, reflecting the benefits of early intervention and tailored support.

e. Federation and Aggregation Capability
The program comprises firmly-established[1] FPOs that can support smaller FPOs and offer a variety of services through a federation-based framework by functioning as aggregators or anchors. Evidence suggests that federation-led FPOs can improve market outcomes by increasing collective bargaining power and lowering input costs by 10–12%.

This dynamic classification guarantees that the LHFPO cohort is diversified, dynamic, and reflective of the full potential of the sector.

4. Program Scale and Reach

At present, the LHFPO Program spans across an array of agro-climatic zones and value chains across 150+ FPOs in ten states, namely Andhra Pradesh, Telangana, Karnataka, Tamil Nadu, Maharashtra, Madhya Pradesh, Bihar, Odisha, Rajasthan, and Uttar Pradesh. Together, these FPOs account for more than 4,00,000 smallholder farmers, have a combined

1 Firmly-established FPOs are those which have scaled-up sufficiently, demonstrated through well-developed and consistent revenue streams, size of business and strong governance and functional structures.

annual turnover of more than ₹878 crore (2023–24), and operate over 20 separate value chains, from cereals and pulses to dairy, horticulture, and specialty products such as floriculture and spices.

The cohort's geographical and sectoral spread enables cross-learning, peer mentorship, and the building of an active community of practice. The program's focus on inclusivity and equitable development is demonstrated through the significant fact that 22% of LHFPOs are led by women and that more than 60% of them are located in underserved or aspirational districts.

Table 4.1: LHFPOs in Numbers

Financial Year	Number of LHFPOs	Collective Turnover (*in ₹ crore*)
2022–23	100	410
2023–24	155	875

5. Strategic Approach: Integration, Inclusivity, and Customisation

Building on prior learning and impact, the current phase of the LHFPO Program emphasises three strategic priorities – (a) Strengthening integration with business ecosystems, (b) Advancing inclusivity in participation, and (c) Offering customised support based on FPO maturity and context.

5.1 Integration with Business Leadership

A key pillar of the program is enabling FPOs to deepen their role within agricultural value chains while simultaneously forging partnerships beyond traditional channels. LHFPOs are supported in identifying and connecting with buyers, processors, institutional purchasers, and ecosystem service providers, thereby enhancing their market positioning and operational scale.

Case Study – 1

Building the Foundation for Lighthouse FPOs

The Bill & Melinda Gates Foundation (BMGF)-supported project, which concluded in September 2024, played a pivotal role in laying the foundation for the LHFPO initiative. Implemented across Madhya Pradesh, Maharashtra, Bihar, Odisha, and Karnataka, the project directly supported over 50 FPOs, enabling them to strengthen business operations, enhance market access, and build institutional capacity.

An endline assessment by Sambodhi Research highlighted key outcomes of the program, most notably the establishment of the Lighthouse Cohort – a curated group of high-potential FPOs receiving integrated support to pursue long-term business viability. Samunnati served as a key enabling partner in this initiative, facilitating financial access, market linkages, and enterprise solutions to help these FPOs navigate a competitive agricultural landscape.

The success of the BMGF project laid the groundwork for the LHFPO model nationwide. As of 2025, the initiative has expanded to 10 states, supporting 150+ FPOs and reaching more than 4,00,000 smallholder farmers through enterprise-readiness interventions.

Several tools and innovations developed during the project continue to be deployed:

- Grading and Rating Assessment Tool: Tracks and benchmarks FPO performance on business, governance, and impact indicators
- Stakeholder Integration: Ongoing partnerships with insurance providers, agri-tech firms, and market actors

Case Study – 1 (*contd.*)

- Transition to Integrated Structures embedded with Trade: Samunnati has piloted innovative structures that enhance transaction efficiency and market access, including export opportunities

This collaborative model demonstrates how long-term partnerships, supported by adaptive financing and capacity-building tools, can create scalable pathways for FPO transformation.

This integrated market approach has led to measurable outcomes. In FY 2024–25:

- FPOs secured **150+ new market linkages**
- Members experienced a **28% increase in average price realisation**

By combining value chain participation with strategic business relationships, the program aims to build FPOs that are not only resilient but also capable of sustained enterprise growth.

5.2 Inclusivity in Participation

A core tenet of the LHFPO Program is to ensure that the benefits of growth and enterprise development are distributed equitably across geographies, social groups, and institutional capacities. The program actively supports women-led FPOs, collectives from marginalised communities, and FPOs operating in challenging agro-climatic or socio-economic conditions. In tribal blocks, for instance, participating FPOs reported a **32% increase in member incomes and a 20% reduction in post-harvest losses.** These improvements are attributed to better aggregation practices and stronger market access facilitated by the program.

Looking ahead, the program is expanding its support to include – **parametric insurance solutions** tailored to smallholder risks and **quick commerce and export enablement**, helping FPOs access high-value markets.

By embedding inclusivity into its design and expanding into adjacent services, the model enhances FPOs' resilience and relevance in modern agri-market systems – ensuring no segment is left behind in the enterprise-readiness journey.

Case Study – 2

Mishti Farmer Producer Company Limited, Karnal, Haryana
Scaling Dairy Excellence with Innovation and Market Linkages

Mishti Farmer Producer Company (FPC) Limited, established in 2014 in Karnal, Haryana, has emerged as a dynamic force in the dairy sector, empowering 300 farmer shareholders through value-added dairy processing and large-scale market linkages. Specialising in milk procurement, processing, and the sale of dairy products, Mishti FPC has successfully built relationships with institutional players such as Kendriya Police Kalyan Bhandar (KPKB) and military canteens, ensuring consistent demand for its premium products like ghee, milk, paneer, butter, and lassi.

A key innovation driving Mishti FPC's growth is the development and commercialisation of ARJUNA Herbal Ghee, a premium, health-focused product licensed by Indian Council of Agricultural Research (ICAR) and National Dairy Research Institute (NDRI). Additionally, the introduction of bajra lassi and whey-based drinks – enabled by NDRI's Business and Product Development Unit – has positioned the FPC as a pioneer in functional dairy beverages, catering to a growing health-conscious market.

Samunnati has supported Mishti FPC through both financial market enablement and capacity-building, strengthening their business outlook. A funding line of **₹4 crore in one financial year** was enabled to scale its operations to a turnover of **₹14 crore in the current year**. New trade-based financing models are also being developed to further optimise Mishti's value chain and accelerate its growth trajectory. The FPC aims to reach a turnover of **₹50 crore by FY 2026–27**, positioning itself as a strong example of a farmer-led, innovation-driven dairy enterprise.

Case Study – 3

Greenflag Farmer Producer Company Limited – Advancing Women-Led Enterprise in Kandhamal, Odisha

Located in the organic belt of **Kandhamal district, Odisha**, **Greenflag Farmer Producer Company (FPC) Limited** is a women-led FPO demonstrating the intersection of enterprise development and community empowerment. Led by CEO Reshma Mallick, the FPC has focused on improving livelihoods through the processing and marketing of **GI-tagged turmeric**, alongside input distribution and other support services.

The FPC has a base of **300 women members**, with **125 actively participating** through support mechanisms enabled by the **United States Development Finance Institution (USDFC) Guarantee**. Its efforts are aligned not only with financial inclusion but also with environmentally sustainable practices and localised value addition.

To further strengthen women's participation, the FPC supports several **Farmer Interest Groups (FIGs)**. Ten women are engaged year-round in value-added processing, livestock activities, and allied agricultural enterprises, contributing to consistent income and enterprise continuity.

In parallel, a dedicated 20-member field team provides farm-level assistance to resource-constrained farmers, helping them adopt **zero-budget farming practices**. Going forward, the FPC aims to expand its membership and evaluate the impact of zero-cost cultivation on household resilience and productivity.

5.3 Tailored Support Mechanisms

Each LHFPO receives customised support aligned with its stage of growth, business strategy, and operational priorities. Support mechanisms are dynamic – evolving as the FPO matures – to remain relevant and outcome-oriented. Program data indicates that FPOs receiving such tailored assistance are significantly more likely to achieve operational profitability, reinforcing the effectiveness of a differentiated support model in building enterprise-ready institutions.

5.3.1 Individualised Credit Assessment and Risk Structuring

Every LHFPO is subject to an individually tailored risk evaluation that considers financial history, the partnership setup, expected productivity enhancements, integration of value chain activities, and continuous social and sustainability initiatives. This comprehensive evaluation is based on the Samunnati-CRISIL (Credit Rating Information Services of India Limited) co-developed FPO assessment framework, which goes beyond just assessing credit risk to also evaluate governance, management performance, business dimensions, and overall financial performance. For example, FPOs with strong business plans and well-defined market strategies have been able to secure credit lines up to four times their historic turnover that is significantly higher than industry standards – enabling them to invest in infrastructure, technology, and market development. This proactive approach has led to a credit usage rate 40% higher than the sectoral levels and a default rate 25% lower than sectoral standards, according to internal program reviews. This forward-looking, risk-tolerant lending approach supports the transition of FPOs from subsistence models to scalable enterprises.

5.3.2 Diversifying Revenue Streams Through Value Addition

A core element of the LHFPO strategy is enabling FPOs to diversify revenue streams by facilitating direct linkages with buyers, processors, and high-value markets. These linkages strengthen FPOs' dependence on intermediaries. Revenue diversification – through value addition, agri-processing, dairy, sericulture, and other enterprise models – has proven critical for improving farmer incomes and business viability. By operating across multiple verticals, FPOs not only enhance their financial resilience but also unlock new growth opportunities within and beyond traditional value chains. In FY 2024–25, several LHFPOs signed large-scale sales agreements, resulting in improved profit margins, increased average sales volumes, and greater market access for smallholder producers. These outcomes reflect the program's emphasis on building sustainable, multi-income enterprises rooted in value chain participation and business diversification.

5.3.3 Building Responsible and Impact-Driven FPOs

The Lighthouse program places equal emphasis on institutional performance and social responsibility – recognising that enterprise-readiness must be inclusive and impact-driven. Capacity-building is a cornerstone of the program. FPO leaders and staff receive targeted training and mentoring in governance and financial management, business growth strategy, and technology adoption and digitalisation.

In addition to structured training, FPOs participate in national platforms such as the **Samunnati FPO Conclave** and peer learning exchanges, helping strengthen leadership and operational capabilities. To date, over 1,500 FPO leaders and staff have participated in capacity-building initiatives, with 85% reporting significant improvements in organisational performance.

The **Samunnati–CRISIL FPO Assessment Framework** also integrates social and environmental performance metrics. This ensures that LHFPOs are evaluated not just on business outcomes, but also on their contributions to community well-being and sustainability. Program data shows that **60% of LHFPOs** are practising **climate-smart agriculture**; **45%** have implemented **community-facing initiatives** such as health camps, farmer training, and women's empowerment programs. By embedding social responsibility into business operations, the Lighthouse model positions FPOs as agents of inclusive and sustainable rural transformation.

5.3.4 Technology Enablement

Technology is a key enabler of the LHFPO program, supporting productivity, transparency, and scalability. FPOs are encouraged to adopt digital tools for procurement and payments, precision agriculture practices, and climate-smart agriculture techniques. Samunnati Digital plays a critical role in this transition by offering digital platforms that streamline operations, improve traceability, and enhance access to markets.

Program outcomes show that FPOs using these digital solutions experience reduction in transaction costs and also an improvement in payment turnaround times.

These innovations have strengthened operational efficiency, improved member trust, and expanded market reach – positioning FPOs to function as scalable, digitally-enabled agribusinesses.

5.3.5 Federation Linkages

The Lighthouse model also promotes aggregation through federated structures, allowing mature FPOs to support smaller, emerging collectives. These federation-led LHFPOs provide shared services, market linkages, and advisory support – creating a multiplier effect across the ecosystem. The federation approach not only enhances economies of scale and collective bargaining power but also strengthens the broader FPO ecosystem through peer learning and networked service delivery.

By combining digital enablement, risk-tolerant financing, strategic partnerships, and federated growth, the Lighthouse model positions enterprise-ready FPOs as replicable blueprints for making agricultural markets more inclusive and efficient for India's smallholder farmers.

6. Impact: Building Sustainable, Scalable FPOs

The LHFPO program showcases a transformative shift in potential FPOs' evolution into sustainable, enterprise-ready institutions. These FPOs exemplify models that combine financial strength, market depth, and social impact – encouraging others in the ecosystem to embrace innovation and risk-tolerant growth strategies.

6.1 Enhanced Access to Resources

FPOs participating report greater credit, market, and technology accessibility, leading to improved turnover, higher member incomes, and increased business resilience. Member incomes have on average risen by 28%, and FPOs' markets have reached 35% further.

6.2 Operational Scalability

Multiple LHFPOs have proven their adaptability and capacity to grow by effectively replicating business models across commodities and geographies. For instance, LHFPOs in the value chain for pulses have increased procurement volumes by 45% and extended their operations to three new states.

6.3 Increased Market Recognition

Engagement in industry forums and conclaves has increased the visibility of LHFPOs and drawn new partners, investments, and opportunities for expansion.

6.4 Fostering Innovation and Enterprise Thinking

LHFPOs have catalysed a mindset shift from subsistence to entrepreneurship. The success stories of these FPOs are motivating other FPOs to aspire for aggressive expansion and adopt best practices.

7. The Road Ahead

The challenges in Indian agriculture include fragmented landholdings, low productivity, poor market access, and inadequate infrastructure. In line with the goals of Vikisit Bharat, agriculture must evolve beyond its traditional boundaries, embracing new technologies, market-driven diversification, and modern farming practices. Government Think Tank, NITI Aayog (National Institution for Transforming India) suggests that enhancing agricultural productivity through technology, diversifying income sources, and improving market access are critical to achieving this vision. They stress the need for policies that support enterprise readiness and innovation, alongside partnerships between farmers, financial institutions, and government bodies. According to NITI Aayog, the goal is to reimagine Indian agriculture, integrating sustainability, market-driven diversification, and modern farming practices to ensure long-term growth and resilience. Apart from government intervention private players also need to come up with ways to address these challenges.

Strong policy support that goes beyond basic compliance and actively acknowledges and rewards enterprise-readiness is necessary to realise this vision. It is necessary that policymakers establish a supportive environment that encourages FPOs to innovate, take risks, and grow their businesses. Strengthening ecosystem partnership is equally important. The ability and practicality of the LHFPO model relies on establishing stronger linkages among FPOs, agri-businesses, financial institutions, and government agencies.

Innovation needs to be a sustained process. Ongoing technology investments, market growth, and building capacity will keep LHFPOs ahead of the curve in sectoral change. Their commitment to accelerating growth and creating an impact is demonstrated by the program's innovative plan to double its cohort size and reach one million farmers by 2027. The LHFPO model can continue to be an indicator for inclusive, sustainable growth in Indian agriculture by encouraging a culture of innovation and versatility.

The emergence of **BIHPRO**, Bihar's first state-level FPO federation, illustrates the replication potential of Lighthouse-aligned models. With a focus on collective empowerment, market access, and leadership development, BIHPRO complements the Lighthouse philosophy and offers a scalable framework for other states seeking to transform their agri-ecosystems.

Conclusion

The LHFPO Program has demonstrated that a holistic approach in supporting FPOs is necessary to strengthen FPOs as business enterprises, which simultaneously cater to social development of smallholders. They are the beacon of inclusive, enterprise-led, resilient and socially-inclined institutions. The LHFPOs – rooted in financial discipline, market integration, and community impact – show what is possible when smallholder farmers are treated as agri-entrepreneurs. By scaling such models, India can accelerate the transition to a future where agriculture is not just a livelihood but a thriving, market-linked enterprise system that delivers prosperity for generations to come.

Chapter 5

Strengthening FPO Governance with Independent Directors

Vaishali Gite

1. Introduction

Evolution of the Independent Director (ID) Concept

The role of Independent Directors (IDs) in corporate governance has long been a subject of scholarly inquiry. Brudney (1982) questioned whether IDs are genuinely effective or merely symbolic, terming them a "Heavenly City or Potemkin Village," while Fama and Jensen (1983) laid the theoretical foundation through agency theory, emphasising the importance of separating ownership from control to reduce managerial opportunism. Empirical studies by Weisbach (1988) and Dahya & McConnell (2007) show that board independence enhances firm performance and accountability, particularly in CEO turnover decisions. However, Adams and Ferreira (2007) caution against excessive independence, which may hinder board effectiveness in certain contexts. Cross-country studies, including those by Lefort & Urzúa (2008, Chile) and Jackling & Johl (2009, India), explore how institutional settings mediate the impact of board structure. Li (2023) further compares the evolving governance roles of IDs in the UK, US, and India, noting their rising influence in emerging markets.

In India, regulatory milestones such as Securities and Exchange Board of India (SEBI)'s Clause 49 (2004/06) institutionalised the presence of IDs in listed companies, linking their presence to improved transparency and disclosure (Dhaliwal et al., 2012; Khan, 2010). A meta-analysis by Rhoades et al. (2000) confirms that board independence, while context-dependent, generally contributes positively to financial performance and governance quality.

While most of this literature focuses on corporate firms, the concept has growing relevance for Farmer Producer Companies (FPCs) in India – hybrid entities governed by the Companies Act, 2013 – where IDs are now being introduced to strengthen fiduciary oversight, governance practices, and protect member-centric values in emerging rural enterprises.

2. Legal Framework for Producer Companies

Producer Companies are governed by Part IX-A of the Companies Act, 1956 (still applicable through Section 465 of the Companies Act, 2013). While Part IX-A does not explicitly mandate the appointment of IDs, there are provisions and practical scenarios where appointing IDs is advisable or sometimes required based on funding, good governance practices, or government schemes.

Producer Companies are not governed under SEBI listing obligations, so ID requirements under Section 149(6) are not directly mandatory for private Producer Companies.

- Section 581-O Board of Directors (BoD) mentions:
  - The Board may include experts or persons having experience in agriculture, finance, law, etc., co-opted as Directors, but they shall not have voting rights in board decisions.
  - These are non-member directors, often treated as "Independent Directors" in spirit.

3. Enabling IDs in Producer Companies

IDs can play a critical role in bridging the governance and managerial capacity gaps in FPCs, which operate at the intersection of social purpose and commercial enterprise. Under the Companies Act, FPCs are legally required to conduct statutory functions like Annual General Meetings (AGM), board meetings, and timely compliance filings. However, as studies like Govil (2020) and International Food Policy Research Institute (IFPRI) (2019) have pointed out, many FPCs lack experienced leadership and are at risk of elite capture, where benefits are cornered by a few rather than shared collectively. In this context, IDs – appointed as neutral, external experts – can offer crucial independent oversight. Their fiduciary responsibility ensures not only compliance with statutory norms but also reinforces accountability mechanisms within the company structure. The Malargal FPC board model, for instance, shows how well-integrated expert directors can positively influence governance when given adequate space and respect.

But there is a gap in the ecosystem where FPCs do not have easy access to trained professionals who can be IDs. This indicates a need for a program to identify, train and connect the right IDs with Producer Companies who need them. Organisations such as National Association for Farmer Producer Organisations (NAFPO) have responded to this gap through structured capacity-building initiatives, viz, the Independent Director Development Programme (IDDP), which trains IDs specifically for the unique context of FPCs. This includes sensitisation to the dual nature of producer companies – balancing commercial goals with community development. Through programs like IDDP, NAFPO facilitates the onboarding of IDs who understand rural contexts, governance challenges, and the need to maintain transparency while enabling farmer empowerment. Early implementation in states like Kerala and Tamil Nadu show some promising evidence: IDs have helped FPCs move beyond viewing shareholding as mere access to government schemes, encouraging members to see themselves as co-owners with governance responsibilities. Moreover, by ensuring board processes, promoting transparency, and suggesting strategic interventions (e.g., in compliance, finance, or market linkage), IDs serve as a crucial mechanism to professionalise grassroots enterprises while keeping them accountable to their member base. (Govil, 2020; IFPRI, 2019; NAFPO, 2023)

In the IDDP program by NAFPO, a model for collaboration among the FPC Board, FPC CEO, and ID has been designed, which is explained in the next section. Some case studies have also been incorporated in this chapter to demonstrate the impact of Independent Directors on the FPC in point. The last section in this chapter also covers specific learnings and recommendations from these initial programs, which can be very valuable in designing future solutions on FPC Governance.

4. NAFPO IDDP Model for Collaboration among FPC Board, FPC CEO, and ID

Stakeholder	Responsibility / Key Activity	Details
Board of FPC	Resolution for Onboarding ID	Pass a formal Board resolution to appoint an ID.
	Commitment to Governance	Ensure active participation in Board meetings and willingness to learn and implement good governance practices.
	Strategy Decisions	Engage in strategic decision-making along with the ID and CEO.
	Role Clarity	Clearly understand individual and collective responsibilities, as explained by the ID.
Chief Executive Officer (CEO) of FPC	Plan and Conduct Board Meeting	The FPC CEO must inform the BOD & ID at least 7 days prior to the monthly Board of Directors (BoD) meeting. **Sharing Meeting Links:** The FPC CEO is responsible for sharing the virtual meeting link for the BoD meeting with the ID.

NAFPO IDDP Model (*contd.*)

Stakeholder	Responsibility / Key Activity	Details
		Providing Documents: If the ID requests documents for information or reading purposes, the FPC CEO must ensure timely sharing of those documents.
	Plan and Conduct AGM	Send out the notice for the Annual General Meeting (AGM) of the FPC 14 days in advance with ID.
	Business Activity Decisions and Communication	Discuss the FPC's business activities with the ID. Share status of compliance with the ID. Communicate other necessary information regularly to the ID such as financial information, field-level challenges.
Independent Director (ID)	Build Rapport	Initiate and maintain a positive rapport with the FPC CEO and BoD, fostering a collaborative working environment.
	Attending Board Meetings	Attend the FPC's BoD meetings to provide insights, guidance, and ensure active participation in decision-making processes.

NAFPO IDDP Model (*contd.*)

Stakeholder	Responsibility / Key Activity	Details
	Governance and Compliance	Ensure FPC's adherence to legal and regulatory requirements under the Companies Act, 2013. Ensure that good governance practices are established, maintained, and continuously improved within the FPC.
	Strategic Guidance	Provide independent and objective judgment on the company's strategic direction and business plans. Assist in setting long-term goals and objectives for the FPC.
	Risk Management	Identify potential risks. Guide and collaborate for risk mitigation.
	Operational Guidance	Guide and advise on the transparent decision-making process in the interest of members and in alignment of vision and mission. Suggest steps to uphold and promote ethical standards, accountability, and integrity in FPO functioning.

NAFPO IDDP Model (*contd.*)

Stakeholder	Responsibility / Key Activity	Details
		Provide strategic guidance on the planning and execution of the FPO's business activities, ensuring alignment with market needs and opportunities. Support the development and implementation of business models that enhance the profitability and sustainability of the FPO. Facilitate connections between the FPO and potential markets, both domestic and international. Assist in establishing partnerships and collaborations that improve market access and the value chain for the FPO's products.
	Mentorship and Capacity-Building	Be a mentor to the BoD and management team. Facilitate capacity-building initiatives to enhance the skills and knowledge of the FPO's leadership.

5. Case Studies from the Field

We documented two case studies of IDs of FPCs to highlight the role played by them, the impact on the FPC, and the opinion of the CEO. These may come across as quite positive, but the inherent idea is to show the value that the ID can add to the FPC.

5.1 Case Study 1: Jetaya FPC

Name of the FPC: Jetaya Samriddhi Mahila Kisan Producer Company Ltd.
Location: Rengad Beda, Block Noamundi. District: West Singhbhum. **State**: Jharkhand.
Membership Count: 379
Key Businesses: The FPC is engaged in developing a spice cluster, starting with the cultivation of turmeric, ginger, and chilli. Processing activities were planned to start soon.
Independent Director – Dr Suresh Kumbhare, appointed in 2023.
FPC Chief Executive Officer – Mr Harilal Bobonga

5.1.1 Prominent Outcomes of the Engagement of FPC with the ID

1. **Membership Mobilisation:** One of the initial challenges for the FPC was low membership. Dr Kumbhare, who was assigned as ID for the Jeteya FPO, suggested developing a short, simple video to communicate the FPC's benefits to potential members. This, combined with the CEO, Mr Harilal and the BoD of FPC field efforts, helped grow the membership from 192 to over 300 plus.
2. **Preventing Unviable Investment:** A proposal was under discussion to purchase a solar dryer costing ₹2 lakh, with a loan carrying 16.25% interest and no subsidy. Dr Kumbhare conducted a feasibility analysis and advised against the investment due to its poor techno-financial viability. At that time, the FPC had fewer shareholders, around 30 to 40, and it was decided to focus on increasing membership and capital as well. The ID highlighted

the risks involved, and based on his inputs, the BoD deliberated and made the final decision to not proceed. After discussions with the financing agency, the loan was not approved – preventing a potential financial burden on the FPC.

3. **Exploring Market Linkages:** Recognising the need for market access, the ID suggested reaching out to Tata Steel, located nearby, for space to set up a local retail outlet for vegetables and grains. While this didn't materialise, it opened up the idea of building strategic partnerships. Tata Steel later supported another FPC with innovations in shareholding and membership design, which could serve as learning for Jeteya.
4. **Governance and Capacity Building:** The ID emphasised holding regular Board meetings, maintaining proper meeting minutes, and clarifying the roles of BoDs, the CEO, and the accountant. He advised the team to:
   - Ensure daily office presence
   - Conduct field visits and village meetings
   - Mobilise members with practical and consistent efforts.

   During a discussion on crop patterns, Dr Kumbhare learnt that vegetable cultivation was widespread among members. He suggested launching a vegetable aggregation and cold storage initiative with the goal of linking to larger mandis. While implementation is still pending, the idea has influenced the team's direction and planning.
5. **Compliance Strengthening:** Initially, the FPC faced challenges in adhering to compliance timelines. Dr Kumbhare organised a meeting with the CA/CS team to explain the compliance checklist. This intervention helped the FPC avoid penalties and build a more systematic compliance process – now supported by CA/CS service.

   Looking ahead, the FPC is preparing a business plan for input sales, building on its licensed input services. The development of a masala cluster (turmeric and ginger) is underway, and achieving scale through additional members is essential for efficient output marketing – especially of perishables like jackfruit. However, the

FPC must also prepare to sustain operations after Small Farmers' Agribusiness Consortium (SFAC) support ends. Focus on revenue generation, leadership retention, and partnerships will be key.

Jeteya FPC is a promising women-led initiative with strong potential for sustainable agribusiness. As its ID, Dr Suresh Kumbhare's guidance helped the company avoid risky investments, strengthen its governance, and explore new opportunities. His role exemplifies the value of having an experienced and proactive ID in the growth journey of an FPC.

5.1.2 The CEO's Thoughts

"With the support of the promoter Value Chain Organisation (VCO) and other supporting organisations, our FPC appointed an ID to support and guide us. The ID has been associated with our FPC since 2023. So far, around four to five meetings have been held with the BoD, including the ID. Although the number of meetings has been limited, I found the guidance provided by the ID very helpful and insightful.

In joint meetings with the BoD, the ID shared valuable suggestions. Notably, the ID recommended conducting a feasibility analysis and advised against the investment due to poor techno-financial viability. He highlighted the associated risks and, based on his inputs, the plan to purchase the drying machine was dropped. Instead, he suggested initiating collaboration with Tata Steel for potential business opportunities. These discussions opened up new avenues for strategic decision-making. As the CEO, although I have had limited one-on-one interactions with the ID, his guidance has helped me approach challenges with simple and effective solutions.

The involvement of the ID saved our FPC from falling into the burden of an unnecessary loan for a drying machine. The advice and support provided by the ID have been extremely valuable. I hope the ID continues to guide us in future decisions and strategies. Also, I do not believe that only the BoD, CEO, and accountant are

The CEO's Thoughts (*contd.*)

sufficient to run the FPC effectively. External experts like IDs or experienced mentors are crucial for guidance and better governance.

I consult the ID whenever I face field-level or operational challenges. However, I still feel slightly hesitant or less confident in approaching the ID freely. This is something I hope to improve over time."

5.1.3 The IDs Thoughts

Dr Suresh Kumbhare, ID of Jeteya FPC, acknowledged that the FPC lacked a foundational layer of **social capital**, such as prior Self-Help Group (SHG) experience. A phased model – from SHG to Village-level Organisation to FPC – would have likely ensured stronger community engagement and cohesion. His interaction with the FPC was largely **virtual**, which led to some communication gaps with local BoDs. He notes that occasional in-person meetings could improve mutual understanding and decision-making. Following are his thoughts in his own words:

"With over three decades of experience in National Bank for Agriculture and Rural Development (NABARD) and extensive expertise in rural development and governance, I believed I could contribute meaningfully to the growth and strengthening of FPCs, especially women-led FPCs that often needed greater support. I aimed to help build leadership capacity and identify red flags at an early stage, enabling the BoD and FPC management staff to take timely and effective decisions for the betterment of the company and its shareholder members.

I expressed my interest in volunteering through the Seniors in Seva (SIS) initiative, which connected experienced professionals with rural development efforts. Through this initiative, I was connected to NAFPO, which provided certified training on the functioning

The ID's Thoughts (*contd.*)

of FPCs and the roles and responsibilities of IDs. Following the training, Jetya FPC appointed me as an ID under the IDDP.

I strongly believe that many senior professionals with rich experience could contribute to the FPC ecosystem, and that their guidance could bring real change to rural livelihoods. As FPCs were registered under the Companies Act and operated within a structured legal and governance framework, I feel it is crucial for all of us to come together to raise awareness, ensure compliance, and strengthen market linkages. This, I believe, would help FPCs access better platforms, achieve higher turnover, and foster motivated leadership."

5.2 Case Study 2: Gola Lakhpati Mahila Kisan Producer Company Ltd.

Name of the FPC: Gola Lakhpati Mahila Kisan Producer Company Ltd.
Location: Huppu DVC, Block Gola, **District**: Ramgarh. **State**: Jharkhand.
Membership count: 341
Key Businesses: Cultivation of paddy, maize, potato, and vegetables
Independent Director: Ms Anita Pankaj, appointed in 2023
FPC Chief Executive Officer – Ms Sunita Kumari

5.2.1 Prominent Outcomes of the Engagement of FPC with the ID

1. **Compliance:** The FPC was suffering from weak compliance processes, and the CEO was uncertain about the requirements. The ID arranged a meeting of the FPC with CA/CS, where the compliance checklist was explained in detail. Thereafter, the CEO was able to submit the necessary documents on time and avoided penalties.
2. **Governance:** A significant contribution by the ID was in resolving a pending salary issue, which was addressed after the ID intervened and guided the next steps.

3. **Membership:** The FPC was facing challenges to mobilise members. The ID discussed strategies such as communicating benefits of FPCs to members in the village meetings to drum up membership.

5.2.2 The CEO's Thoughts

"Our FPC appointed the ID in September 2023 to support and guide us. Although most communication happened on the phone, the ID also attended four or five formal meetings. The ID is quite approachable and easy to talk with. I don't feel afraid or hesitant to ask her questions. Whenever I face any confusion or difficulty, I reach out to her without hesitation, and she is always there to help.

The ID interacted with all BoD, asked their names, and inquired about the work. She encouraged the Board to reach out to her in case of any difficulties and emphasised that she is there to support them.

The ID played a good role in strengthening the governance and compliance of our FPC. She consistently emphasises the importance of conducting regular meetings of the BoDs and encourages us to maintain proper minutes of the meetings. In every interaction, she clearly explains the roles and responsibilities of the BoD, CEO, and Accountant – such as attending the office regularly, conducting field visits, and participating in village meetings to increase membership. In one of our discussions, the ID asked about the produce available with members and suggested a new business idea: since most members grow vegetables, FPC could start collective procurement, store the produce in cold storage, and sell it to bigger mandis.

Just a few days ago, I was overwhelmed and unsure how to proceed. After speaking with the ID, I felt reassured and confident. My stress vanished after hearing her words. We once made a business presentation and shared it with our ID. She forwarded it to her senior network, and they appreciated our effort and gave suggestions to improve. This kind of recognition and guidance is possible only through the involvement of a good ID."

The CEO's Thoughts (*contd.*)

On the impact of having a woman ID, the CEO believes the experience would not have been the same with a male ID: "If a male ID had been appointed, I may not have developed such a strong rapport. With ID, I never feel judged or scared. She solves every problem and listens patiently. Talking to her gives me peace of mind." The CEO equates the ID's presence to: "A parent's blessing – someone I can talk to when I don't understand things or feel stressed."

6. Recommendations based on IDDP

In light of the case studies and learnings from the ID model implemented in select FPCs, the following actionable suggestions are proposed for wider adoption and strengthening of governance mechanisms in FPCs:

1. **Integration of IDs in Central Sector Scheme (CSS) FPCs:** Under the CSS for the formation and promotion of 10,000 FPOs, Cluster-Based Business Organisations (CBBOs) may consider incorporating IDs into the governance framework of their promoted FPCs. IDs can bring neutrality, technical expertise, and governance oversight to the Board.
2. **Creation of a National Pool of IDs:** NAFPO has taken the lead in creating a pool of trained experts who can serve as IDs. These efforts can be expanded with investment, further training the IDs not only in governance norms but also in the concept and functioning of FPCs, including the Companies Act, 2013, agricultural value chains, and compliance requirements.
3. **Facilitating Connection and Trust Between FPCs and IDs:** A structured matchmaking process can be developed, wherein CBBOs can directly approach the expert pool to identify suitable IDs based on sectoral expertise, regional knowledge, and governance needs of FPCs. This can be supported through a digital platform or regular orientation-cum-networking events. Geographical

proximity of ID location to FPC location can be considered so that IDs can be better aware of local cultural nuances and also visit the FPC in person for the meetings. To enable trust building between BoD and IDs, BoDs can also be involved in selection of IDs.

4. **Capacity-Building of CEOs and BoDs**: For the ID model to be successful, CEOs and BoD of FPCs need to be proactive and well-oriented about the role and benefits of engaging with IDs. Regular capacity-building programs should be institutionalised to strengthen mutual understanding and collaboration.
5. **Policy-Level Endorsement and Institutional Support**: The Ministry of Agriculture & Farmers Welfare (MoA & FW), SFAC, and NABARD may consider issuing advisory guidelines encouraging the appointment of IDs in matured FPCs. Dedicated support for ID orientation, engagement, and compensation mechanisms should also be explored.

7. Acknowledging the Contribution of Partners to IDDP

The implementation of the Independent Director Development Programme (IDDP) has been anchored by NAFPO, with strategic contributions from key institutional partners.

Seniors in Seva (SIS) has played a pivotal role in identifying and mobilising experienced professionals with the potential to serve as Independent Directors on the boards of Farmer Producer Companies (FPCs). The Institute of Directors (IOD) has served as the programme's lead training partner, designing and delivering a structured curriculum that comprehensively addresses the roles, responsibilities, and ethical standards expected of Independent Directors. Through the coordinated efforts of these partners, this robust IDDP framework is steadily building a cadre of qualified Independent Directors—who can strengthen board-level governance and institutional maturity of the FPOs.

8. Conclusion

In conclusion, the role of Independent Directors (IDs) in FPCs is pivotal for enhancing governance, accountability, and strategic direction. As FPCs evolve from small farmer groups to market-linked enterprises, the need for robust governance systems becomes essential to safeguard member interests, ensure transparency, and build trust among stakeholders. IDs bring external expertise, unbiased oversight, and strategic guidance, which are crucial for the sustained growth and credibility of FPCs. The regulatory framework under the Companies Act, 2013, along with programs supported by NABARD, SFAC, and central schemes like the 10,000 FPO initiative, now encourage the inclusion of IDs to improve financial management, statutory compliance, and institutional credibility.

The case studies presented in this chapter highlight the significant impact that IDs can have on FPCs. From preventing unviable investments to exploring market linkages and strengthening governance, the involvement of IDs has proven to be invaluable. The experiences shared by CEOs and Board members underscore the importance of having an approachable and supportive ID. The positive rapport and mentorship provided by IDs fosters a collaborative working environment. Their guidance not only helps in compliance with statutory norms but also reinforces accountability mechanisms within the company structure. IDs can play a vital role in mentoring boards, supporting CEOs, and aligning operations with market expectations. Their expertise makes a difference as FPCs expand into areas like contract farming, value-added processing, and digital marketing. Moreover, with the sector's increasing integration into formal financial systems, institutional investors and corporate buyers are more inclined to work with FPCs that demonstrate strong, professional governance, making the role of IDs a cornerstone of future-ready agricultural enterprises.

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Chapter 6

Multifaceted Transformation through Women FPOs in India

TRIF's Engagement in Uttar Pradesh supported by Walmart's Foundation

Syed Mansoor Abbas Naqvi

1. Introduction

In the evolving landscape of Indian agriculture, FPOs have served as a powerful mechanism for improving economies of scale, strengthening bargaining power, and enhancing market access. Among these, the emergence of Women-led FPOs (WFPOs) marks a significant innovation – not merely in agricultural economics but in the social fabric of rural India. These WFPOs offer a dual advantage: enabling economic advancement and fostering gender equality by positioning women as leaders, entrepreneurs, and change agents.

The Walmart Foundation's support to the Transform Rural India Foundation (TRIF) project in Uttar Pradesh stands out as a landmark initiative in this domain. Through its targeted investments and programmatic support, the Foundation has enabled the creation and strengthening of WFPOs that are not only commercially viable but also socially transformative. This chapter offers a detailed narrative of the Walmart Foundation's support to TRIF in UP – tracing its genesis, operational strategy, outcomes, and the broader lessons it offers for India's rural development and FPO ecosystem.

2. Genesis of the Program: Aligning with National Rural Livelihood Mission (NRLM) and Local Potential

The origins of this initiative lie in a strategic alignment with the NRLM, a flagship Government of India program aimed at reducing rural poverty through women's collectives such as Self-Help Groups (SHGs) and Cluster-Level Federations (CLFs). The program recognised that these women's institutions could serve as the bedrock for viable producer enterprises, especially in under-served rural economies like those of eastern Uttar Pradesh.

The project to prototype Women-led FPOs in 10 districts is supported through a grant by the Walmart Foundation and on-ground implementation support to TRIF. These were not pilot projects in the conventional sense but rather "Lighthouse FPOs (LHFPOs)" – demonstration models designed for scalability and systemic integration. Each WFPO was carefully located in regions with strong SHG infrastructure, suitable agro-climatic conditions, and a clear potential for value chain development.

2.1 Key Design Principles

A few noteworthy guiding principles shaped the architecture of the program:

- **Women as Enterprise Leaders**: Leadership was drawn from within the SHG ecosystem, ensuring familiarity, trust, and grassroots accountability.
- **High-Value Agriculture**: The FPOs focused on commodities with high market demand and value addition potential – like pulses, oilseeds, spices, and dairy.
- **Localisation and Sustainability**: The program emphasised decentralised processing, localised infrastructure, and climate-resilient farming practices.

- **Systemic Integration**: The WFPOs were embedded within the NRLM governance structures to enable long-term sustainability, access to schemes, and convergence.

By combining institutional anchoring with entrepreneurial aspiration, the program succeeded in laying a strong foundation for scalable, women-centred agri-business models.

3. The Emerging Women-FPO Model – *The Panchtantra*

The initiative's most important contribution was the articulation of a five-pillar framework – referred to informally as the "Panchtantra" – which defined the essential elements of a robust and sustainable WFPO, and offers a replicable model for different stakeholders.

3.1 Member Mobilisation and Democratic Ownership

At the heart of each WFPO was a strong base of member farmers. Across 10 districts, a total of 10,174 shareholders were mobilised through 733 producer groups spread over 1,498 villages and 847 gram panchayats. Importantly, the membership process emphasised inclusion, ensuring representation from marginalised groups and women practicing agriculture and allied activities.

Governance structures were enforced rigorously. Women were elected to key positions – Board of Directors (BoD), sub-committees, and producer group heads. Regular Annual General Meetings (AGM), transparent voting, and open-book practices ensured trust and accountability.

3.2 Business Readiness and Compliance

Recognising that institutional legitimacy and investor confidence depend on regulatory compliance, the program invested significantly in building the business readiness of each WFPO:

- Licensing and Registrations: Each FPO obtained critical licences including those for seed, fertiliser, and pesticide, besides FSSAI registration, and mandi/Agricultural Produce Market Committee (APMC) registration.

- Enterprise Resource Planning (ERP) and Management Information Systems (MIS): FPOs were onboarded to Simply Khata (a digital bookkeeping platform) and Board of Resolutions (BoR) tools for documentation.
- Audit and Governance Norms: Regular audits, Goods and Service Tax (GST) compliance, Board training, and AGM documentation were institutionalised.
- Financial Linkages: Partnerships with banks and Microfinance Institutes (MFIs) facilitated working capital loans, overdraft facilities, and term loans for fixed assets.

This "business hygiene" allowed WFPOs to engage with formal buyers, access government schemes, and attract further investment.

3.3 Crowding-in of Public and Private Investments

One of the most powerful effects of Walmart Foundation's catalytic grant capital was its ability to crowd in additional investment from both public schemes and private players:

- **Government Schemes**: The FPOs tapped into the Agriculture Infrastructure Fund (AIF), Micro, Small and Medium Enterprise (MSME) subsidies, and NRLM's Livelihood Funds to finance equipment and operations.
- **Infrastructure Development**: Custom Hiring Centres (CHCs), solar installations, food processing units, and commodity warehouses were built.
- **Private Partnerships**: Business-to-Business (B2B) linkages were established with Ninjacart, Ayekart, Mother Dairy, and BigBasket for output sales and input sourcing.

By combining grant capital with convergence mechanisms, the WFPOs achieved leverage ratios of up to 1:4 in some blocks – demonstrating the multiplier value of strategic philanthropy.

3.4 Business Model Innovation and Market Linkages

The WFPOs functioned as multi-layered enterprises, innovating across the value chain to retain margins and create jobs:

- **Processing and Packaging**: Units were established for dal milling, oil extraction, spice grinding, dairy processing, and seed cleaning.
- **Branding and Distribution**: Products were sold under private and collective brands such as Krishi Value Hub. Packaged pulses, mustard oil, and masalas reached both local and institutional markets.
- **Digital Interfaces**: The creation of Digital Commodity Collection Centres (D3Cs) allowed sub-block level aggregation, inventory tracking, and traceable marketing.
- **Vertical Integration**: By developing their own input-output loops, many FPOs operated self-contained value chains – reducing leakage and maximising member gains.

These innovations made the FPOs agile, responsive, and capable of weathering market fluctuations.

3.5 Layering with Sustainability and High-value Activities

The fifth pillar focused on embedding ecological and economic sustainability into the enterprise model:

- **Green Energy and Infrastructure**: CHCs and FPO offices were powered by solar panels, with technical support from Tata Power and Urja Mandala.
- **Organic and Natural Farming**: Bio-fertiliser production, vermicompost units, and organic clusters were developed, supported by the Ministry of Cooperation.
- **Diversified Livelihoods**: Initiatives in floriculture, mushroom cultivation, mint processing, and regenerative farming were launched.
- **Livestock and Non-Farm Sectors**: Dairy, backyard poultry, and goatery added resilience and year-round income to member households.

These layers added depth to the FPO model – ensuring it was not just profitable but sustainable, equitable, and future-ready.

4. Progress and Outcomes: Scale and Reach

One of the most notable achievements of this initiative has been the breadth and depth of its reach – both in terms of geographical spread and the number of women mobilised.

4.1 Deepening Rural Engagement through Lighthouse WFPOs

The LHFPOs were more than operational units – they functioned as demonstration hubs, designed to inspire replication and foster local capacity. Through them, a structured pathway was created to draw women from SHGs and CLFs into the realm of collective agriculture and enterprise.

4.2 Expanding Influence: From 10 to 70 WFPOs

Within 18 months of engagement, the impact of the model became evident enough for the Uttar Pradesh State Rural Livelihoods Mission (UPSRLM) to officially recognise and adopt the approach. This led to a scale-up from 10 to 70 WFPOs across the state, embedding the model within the state's broader FPO promotion strategy.

This expansion represents a critical milestone: it marks a shift from a donor-supported experiment to a state-supported institutional pathway for women's enterprise in agriculture. The ability to make a significant impact for WFPOs that were recognised by the State government illustrates the model's policy relevance and practical success.

4.3 Reaching 50,000 Women through Ecosystem Engagement

Beyond the immediate shareholders and producer group members, the initiative had a much wider ripple effect. Through demonstrations, training programs, community events, and service provision, the program reached an estimated 50,000 women across these geographies.

These engagements weren't merely informational – they actively facilitated the emergence of a supportive ecosystem. Women were exposed to concepts of enterprise, market access, digital tools, and green interventions. Many began participating in auxiliary services such as input distribution, agri-advisory, and mechanisation, even if they weren't FPO shareholders themselves.

The program also enabled a shift in visibility and voice for women in rural value chains. The emergence of "Unnati Didis" – trained local entrepreneurs managing D3Cs and CHCs – symbolises a new wave of women's grassroots leadership, inspired and enabled by the FPO platform.

4.4 Financial Performance

Many FPOs achieved operational break-even within two years, even excluding government grants; collectively they made profits of over ₹14 lakh in around 18 months of business. Processing units became major drivers of profitability, and FPOs retained margins of 10–20% through local branding. These improved net incomes while also creating rural employment, especially for women in production, packaging, and marketing roles.

4.5 Market and Service Access

WFPOs became platforms for bundled service delivery, enabling farmers to:

- Buy certified seeds and fertilisers at reduced rates.
- Sell their produce collectively to fetch higher prices.
- Access crop loans, insurance products, and government subsidies.

By integrating services with commerce, FPOs built trust and utility at the grassroots.

4.6 Social and Environmental Impact

The social transformation was profound. Women who had never spoken at a gram sabha were now leading AGM, managing digital dashboards, and representing their FPOs in buyer negotiations.

The emergence of **Agri-Entrepreneur** – local women entrepreneurs who manage CHCs, D3Cs, and village-level kiosks – symbolised a new era of women's rural leadership.

Environmentally, the shift to bio-inputs, diversified cropping, and solar power marked progress toward a low-carbon rural economy.

5. A Blueprint for Scale: Enablers and Ecosystem Alignment

The program's success was not accidental – it was engineered through deliberate ecosystem integration. Several enabling features were key:

- **Social Platform Architecture**: SHGs formed the base, CLFs provided supervisory functions, and FPOs acted as apex enterprises.
- **Digital Enablement**: Accounting, procurement, and governance systems were digitised to ensure transparency and efficiency.
- **Local Entrepreneurs**: Unnati Didis were trained to run operations, reducing dependency on external staff.
- **Convergence**: The program leveraged multiple schemes – AIF, NRLM, MSME, Agriculture and Energy Ministries – to achieve scale.

A significant next step is the proposed formation of a State-level Federation of Women FPOs in UP. This umbrella body could serve as a procurement aggregator, policy voice, and capacity-building platform – amplifying the reach and negotiating power of local WFPOs.

6. Lessons for the Sector: Enabling Scalable, Women-led FPOs

The Walmart Foundation support for TRIF's initiative in Uttar Pradesh offers valuable lessons for governments, donors, Corporate Social Responsibility (CSR) agencies, and rural development practitioners aiming to promote sustainable, women-led FPOs. These lessons go beyond operational tips and point to a new model of inclusive, resilient rural enterprise.

6.1 Design for Scale, Not Just Success

The program functioned as a prototype, not a pilot. This distinction is critical – while pilots often remain localised and time-bound, prototypes are designed to be scalable, aligned with public systems, and replicable. The model's integration into NRLM structures and its expansion by UPSRLM from 10 to 70 WFPOs demonstrates that systemic alignment pays off. Designing with scale in mind helps create institutional acceptance, mobilise government co-funding, and accelerate replication.

6.2 Build on Women's Institutional Platforms

The success of these FPOs is deeply linked to their roots in SHGs, Village Organisations (VOs), and CLFs. These platforms provided a ready pool of women with collective experience, trust-based systems, and governance practices. Anchoring WFPOs in these institutions ensured stronger accountability, faster mobilisation, and inclusive participation. It highlights that women's collectives are not just social groups but strong foundations for enterprise development.

6.3 Go Beyond Aggregation: Create Local Utility

WFPOs became more than producer collectives – they emerged as multi-service platforms offering input supply, output aggregation, credit linkage, government schemes linkage, and advisory. This diversification enhanced the FPOs' relevance in members' daily lives and created multiple revenue streams. Designing FPOs as service platforms builds long-term value and makes them integral to the rural economy.

6.4 Invest in Enterprise Readiness

Many FPOs fail due to weak back-end systems. This initiative emphasised early investment in compliance – GST, Food Safety and Standards Authority of India (FSSAI), digital tools (Simply Khata, BORs), audits, and licensing. These systems were not seen as administrative burdens, but as strategic enablers that boost buyer and investor confidence.

Enterprise readiness is foundational – not optional – for scaling market-facing FPOs.

6.5 Local Women as Entrepreneurs, Not Just Participants

The rise of Sanchalika Didis – trained rural women managing D3Cs, agri-kiosks, and CHCs – illustrates the importance of investing in grassroots human capital. These women are not just frontline workers; they are emerging as entrepreneurs and local leaders. Programs must include dedicated pathways for such enterprise leadership to flourish from within the community.

6.6 Blend Commercial and Social Goals

While the FPOs pursued profitability, they retained a strong focus on social inclusion – especially for small, marginal, and landless women farmers. The model proved that business viability and community equity are not in conflict. In fact, inclusive models build broader buy-in, deeper outreach, and greater legitimacy. Financial metrics must be complemented by equity and participation indicators.

6.7 Sustainability as Strategy, Not Slogan

Clean energy (e.g., solar-powered CHCs), organic inputs, and regenerative practices were core to the WFPO model – not peripheral add-ons. These green interventions enhanced long-term profitability, lowered input costs, and aligned with emerging policy and market trends. The experience underscores that sustainability is not just environmentally necessary – it is also commercially smart.

6.8 Leverage Convergence, Don't Work in Silos

The program's ability to tap into multiple government schemes – NRLM, AIF, MSME, agriculture, and energy – was a game changer. Convergence brought in infrastructure, working capital, and technical support without over-relying on donor funds. It also embedded FPOs within the government machinery, enhancing long-term sustainability. Program designers must proactively build convergence strategies into the design.

6.9 Branding and Identity Matter

WFPOs developed branded products, packaged goods, and digital visibility. This branding gave women's produce an identity, helped retain higher margins, and built trust with institutional buyers. The rural economy is increasingly competitive – FPOs must be supported not just to aggregate, but to differentiate and market effectively.

6.10 Strengthen Federated Structures for Aggregated Impact

The idea of forming a State Federation of Women-led FPOs reflects a natural evolution – where FPOs come together to pool procurement, access larger markets, advocate policy needs, and share services. Just as SHGs evolved into federations, FPOs too must move toward collective structures to achieve scale efficiencies and influence.

In summary, these lessons demonstrate that building successful WFPOs requires more than market linkages – it needs a holistic ecosystem approach. By investing in women's leadership, institutional convergence, enterprise systems, and sustainability, the Walmart Foundation supported project has laid out a replicable blueprint for a more inclusive and resilient rural economy. The sector must now take these learnings forward to ensure that women are not just participants in agriculture – but leaders of its future.

7. Conclusion: Towards an Inclusive Agrarian Future

TRIF's WFPO initiative supported by the Walmart Foundation is a harbinger of change. It presents a bold yet grounded vision: of rural women not as passive recipients of aid but as active leaders of enterprise and economy.

Women are now running agri-businesses, leading federations, accessing formal markets, and transforming local economies. They are shaping not just agricultural value chains, but also the societal norms that govern access, voice, and power.

As India moves toward a more inclusive and sustainable rural development paradigm, the WFPO model from Uttar Pradesh offers a working blueprint. It is a testament to what is possible when capital, community, and convergence come together with clarity of purpose and integrity of design.

Chapter 7

FPOs as Institutional Delivery Mechanisms – A Case Study of Reviving Pulses through FPOs in Bihar

Ashish Shenoy, Travis Lybbert, Raghav Raghunathan

1. Introduction

This article examines how Farmer Producer Organisations (FPOs) can serve as long-term institutional models for agrarian transformation in India. It draws on a detailed case study involving five FPOs in Bihar that were part of a multi-institutional pilot aimed at revitalising pulse production.

Historically, India's agricultural policy has prioritised rice and wheat, bolstered by Green Revolution-era investments in procurement, irrigation, and infrastructure. While this strategy secured national food self-sufficiency, it sidelined secondary crops like pulses. Public Research and Development (R&D), extension services, and procurement systems largely bypassed legumes, creating structural disincentives for diversification.

Scholars have consistently highlighted this policy imbalance. Minimum Support Price (MSP) operations and food security allocations have favoured cereals, leaving little room for crops like pulses and oilseeds (Gulati & Juneja, 2021; Pingali, 2012; Kerr, 2012). Consequently, India – despite being the world's largest pulse producer and consumer – faces chronic supply-demand mismatches, exacerbated by low yields and market volatility.

In response to these challenges, the India Grain Legume Cluster Development Programme was launched in 2016, following a national consultation led by NITI Aayog and the Bill & Melinda Gates Foundation (BMGF). Anchored by the Aga Khan Foundation, UC Davis, and the Government of India, the program piloted interventions in Bihar to promote pulse cultivation. This initiative combined extension support, input subsidies, and output price incentives, delivered via FPOs. This chapter draws on the Bihar pilot to highlight policy-relevant insights into if and how FPOs can enable diversification and reshape market access for pulses.

The Bihar pilot was implemented and evaluated from 2017 through 2020 across five North Bihar districts – East Champaran, West Champaran, Siwan, Saran, and Samastipur. The evaluation and impacts of this pilot are described in detail in Lybbert et al. (2023). This chapter summarises the results and uses this Bihar pilot as a case study, grounded in rigorous field experiments, to discuss both program outcomes and the institutional role of FPOs. It then explores broader questions around market access, sustainable diversification, and the future of producer-led governance in Indian agriculture.

2. Program Design

The Bihar pulse promotion initiative aimed to address deep structural disincentives in the pulse sector – abiotic stress, poor seed systems, lack of extension, and adverse market conditions. The program bundled input distribution, technical training, and marketing pilots, implemented by FPOs under the India Grain Legume Cluster Development Programme framework.

FPOs were selected to implement the three-pronged intervention:

1. **Input-side incentives**: Subsidised seeds and weather advisory services.
2. **Extension services**: Farmer field days, demonstration plots, and training on pulse-specific best practices.

3. **Output-side support**: Marketing support to negotiate bulk sales, output price subsidies and MSP guarantees, and storage assistance via low-cost hermetically sealed bags.

The program's theory of change posited that improved seed access, embedded within trusted local institutions and linked to market channels, could overcome initial reluctance to adopt pulses. Program activities were initially administered by local agricultural development organisations with substantial technical capacity and trust building. Implementers helped establish FPOs, developed their administrative capacity, and gradually transitioned program management over the course of the intervention period.

The intervention's rationale stemmed from the persistent underperformance of pulses in India's cropping systems, particularly in eastern India. The bundled approach aimed to tackle multiple constraints simultaneously: knowledge and information gaps, liquidity constraints for quality seed purchase, and price volatility at harvest. Villages were randomly assigned to receive different combinations of interventions, which allowed the evaluation team to identify the causal effects of each component.

A central pillar of the program design was the integration of FPOs as institutional anchors. These community-based organisations were responsible for delivering inputs, coordinating extension activities, and aggregating produce for sale. This design reflected a growing policy consensus around using FPOs to strengthen last-mile service delivery and to provide smallholders with improved bargaining power in both input and output markets.

3. FPOs as Institutional Anchors for Input Delivery

The primary goal of the intervention was to reverse under-adoption of pulses driven by lack of access to quality seeds and knowledge. Implementers were tasked with distributing high-yielding seeds, mobilising farmers, and facilitating collective training. FPOs played a key role in operationalising the delivery of seed kits and organising extension sessions.

Seed kits included improved pulse varieties such as black gram and red lentil, tailored to local agro-climatic conditions. These were distributed to eligible farmers at subsidised rates, and extension activities focused on agronomic practices, disease management, and input usage.

Integrating FPOs into service delivery helped reduce information asymmetries and build trust among smallholders, who are often sceptical of private input dealers. The FPO structure enabled transparent seed distribution, ensured targeting fidelity, and allowed for follow-up visits by extension workers, thereby improving the depth and quality of engagement.

The study found that in the first year, pulse adoption among treated farmers increased significantly, driven by timely seed delivery and localised support. However, the gains eroded once subsidies and technical support were withdrawn, and adoption fell back to baseline levels by year three. This result underscores the temporary nature of adoption driven by external incentives, especially in the absence of durable market signals or institutional embedding. Nevertheless, program implementation affirmed the FPOs' comparative advantage in last-mile delivery of agricultural policy.

4. FPOs and Output Market Linkages

On the output side, FPOs attempted to organise procurement, aggregate local output, and negotiate bulk sales. However, these activities saw limited success due to binding constraints. Working capital shortages, lack of formal warehousing, and limited price assurance mechanisms curtailed scale. Farmers had heterogeneous preferences for sale timing and faced liquidity constraints, which pushed them to sell immediately after harvest in local mandis. This weakened the FPOs' ability to negotiate better terms with buyers.

The Randomised Control Trial (RCT) included an embedded procurement experiment to test the effect of pre-planting price offers via FPOs in the form of either per-unit subsidies or minimum price guarantees. While there was a modest uptake, the output support was transitory in nature and therefore failed to induce persistent changes in crop choice. Evidence from the program's RCT arm suggests that output price supports (a later component of the program) did not significantly alter cropping patterns in favour of pulses, nor did they generate higher sales volumes through FPOs. Farmers continued to view pulse cultivation as risky and less lucrative compared to cereals.

The findings reflect broader challenges of market development. FPOs, while effective as input intermediaries, are less equipped to manage price risk or stabilise volatile commodity markets. Interventions without sustained procurement assurance are unlikely to shift long-term incentives.

Nevertheless, in areas where FPOs were more mature and had established networks with institutional buyers, some degree of success was observed in collective sales and price realisation. This suggests that FPOs' effectiveness in improving market access may be contingent upon their organisational maturity and access to buyer networks.

5. Program Outcomes and Institutional Lessons

- **Adoption and Production Impacts:** Initial year results showed increased pulse area and adoption due to subsidised seed access. However, adoption decayed rapidly after support ended. This pattern was consistent across kharif and rabi seasons and highlights the dependence on external price support rather than intrinsic profitability of pulses.
- **Household Consumption and Nutrition:** The impact on nutrition was weak. Treated households reported slightly higher on-farm stocks, but this did not translate into measurable dietary change. High variability and small gains limited statistical power.
- **Profitability:** Despite increased cultivation in year one, the program did not improve net farm profits. This reflects both the low market price of pulses and high variability in yields. Even with improved inputs, pulses were not more remunerative than competing crops.
- **Market Linkages:** While farmers responded positively to price offers in principle, the actual uptake remained modest. Trust in FPOs and prior engagement history influenced willingness to sell, but issues of payment delays and logistics remained unresolved.

- **Gendered Insights:** Pre-existing expectations often led women farmers to be unintentionally excluded from formal procurement despite being key actors in pulse cultivation. Targeted incentives and female-led FPOs may increase inclusion. While the intervention made explicit efforts to change status quo, ensuring their formal inclusion as shareholders may not be sufficient to affect entrenched gender norms, especially in decision-making around sales, timing, and place as these roles are deeply affected by established gender norms or considered to be in the "domain" of male farmers. The program revealed that even with strong initial design and institutional backing, pulse promotion policies face systemic headwinds. Scaling adoption requires not just inputs, but reconfiguring risk, price, and institutional trust.

6. Policy Implications and Pathways Forward

- **Peripheral Potential of Pulses:** Evidence suggests that pulses are best supported as intercrops or buffer crops. Policy should focus on enabling flexible, farmer-led diversification rather than promoting mono-cropping. Both from the standpoint of nutritional security as well as import substitution, a broader and sustainable set of reforms on the input as well as output side are needed to ensure their sustained adoption.
- **Seed System Reforms:** Access to quality seeds remains a barrier to adoption. Public investment can stimulate private delivery of improved pulse varieties, with FPOs as anchor clients. Production subsidies for such FPOs to become breeders of Open-pollinated Varieties (OPV) and other potential hybrids could spur local and contextualised production, easing timely availability of high quality and reliable seeds.
- **Output Market Support:** Large-scale procurement or price insurance mechanisms may be necessary if pulses are to compete with cereals. Otherwise, policies should enable localised, trust-based procurement via FPOs. Even in the case of cereals, procurement in Bihar far lags the western states like Punjab or Haryana. Public procurement

policy for crops like pulses or millets through aggregation and procurement by FPOs until the private markets are sufficiently developed must be evolved.

- **Trust in Intermediaries:** Successful aggregation depends on trust and reliability. Long-term engagement with FPOs, regular payment cycles, and transparent procurement rules are essential. Whether FPOs substantively improve on services provided to member producers by existing participants in the value chain, like local agro-dealers and other service providers, remains a critical question.
- **Long-Term Public Investment:** Current productivity levels in pulses reflect decades of underinvestment. Only public R&D and consistent infrastructure support can redress these gaps. A crucial question there is whether FPOs can seed such critical public R&D at the last mile, where it matters most, or merely bridge private sector engagement required for more organised or balanced markets at the last mile. In the long run, FPOs can seed critical public investments that can bring scale, efficiency and most critically, restore bargaining power in favour of smallholder farmers. How this transformation can be accelerated is a critical public policy question.

7. Future Directions for Policy and Practice

Future research must explore how FPOs can be strengthened as inclusive and efficient market institutions. Key questions remain around governance – such as whether formal membership drives greater loyalty and participation, or how leadership structures shape trust and reduce side-selling. Understanding these dynamics can improve organisational design and farmer engagement. Similarly, there is a need to rigorously test digital tools – such as e-registries, crop monitoring, and demand aggregation platforms – that promise to lower transaction costs, expand access to formal markets, and enhance transparency in pricing and procurement.

Other promising areas include piloting forward contracts and structured price support mechanisms through FPOs to manage risk and incentivise collective sales. Research should also assess the relative performance of women-led FPOs, which may unlock new forms of trust and reciprocity in male-dominated systems. Finally, investments in digital monitoring systems – such as FPO-level dashboards linked to real-time data – can enable more accountable management and evidence-based policy targeting across different agro-ecological zones.

8. Conclusion

The Bihar pulse promotion program underscores both the promise and the constraints of using FPOs as institutional vehicles for sustainable agricultural transformation. While the intervention produced short-term gains in adoption and knowledge diffusion, these effects diminished without consistent input and output support. The broader lesson is that FPOs, while essential as local aggregators and trust-based intermediaries for last-mile policy delivery, cannot substitute for the long-term public investments, R&D, and infrastructure required to make pulses competitive and resilient.

Policy must acknowledge that while pulses can be peripheral to broader agricultural markets across India, they are mainstream crops, especially in rainfed areas where they are concentrated. Moreover, participation in pulse cultivation is heterogenous as they are grown in greater proportion by marginal and smallholders in tribal dominated areas. Therefore, policy support in the form of floor prices and procurement should favour a more flexible and decentralised system where FPOs can facilitate such expanded and context-specific market access. This will also help FPOs gain more traction as market intermediaries to establish trust and increase salience among their members.

Strengthening **seed systems** through FPOs as anchor clients and decentralised breeders can address chronic quality and availability gaps. For more substantive increases in the marketed surplus, **output-side interventions** must shift from episodic procurement to more sustained price support – possibly through targeted price insurance and localised purchase commitments, regulated forward contracts, and integration with futures markets. Yet these interventions will only succeed if underpinned by **trust and transparency**. FPOs must be embedded within accountable systems –

with regular payments, governance reforms, and digital infrastructure – to become effective market actors rather than passive conduits.

The chapter also points to a rich future research agenda. As India's agricultural markets evolve, we must rigorously assess how **digital innovations** like e-registries, remote crop monitoring, or demand aggregation platforms affect farmer behaviour and trust. Whether FPOs can reduce **coordination failures**, promote **gender-inclusive governance**, and enhance **information spillovers** will determine their long-term role in reshaping rural market ecosystems.

Ultimately, the challenge is not simply one of adoption but of transformation – where farmers, intermediaries, and institutions evolve together to sustain resilient, remunerative, and inclusive value chains for underutilised crops like pulses.

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Chapter 8

The FPO – Startup Synergies in Agricultural Value Chain Innovations

Suranjana Ghosh and Vartika Agarwal

1. Introduction

When a small group of farmers in Telangana teamed up with a start-up to pilot a solar-powered cold storage unit, it wasn't just the technology that made the difference, it was the trust and scale enabled by their Farmer Producer Organisation (FPO).

This example offers a key insight: When farmers act collectively, barriers to technology adoption begin to fall away!

The Indian agricultural landscape is dominated by small holder farmers where more than 85% of farmers own less than 2 acres of land[1]. In such a scenario, making investments in certain kinds of technology or machinery is not just costly but also a high-risk decision. This challenge, it is believed, could be answered by FPOs. FPOs were **established as a policy-driven intervention** to build collective strength among smallholder farmers, formalised through producer company structures, and scaled through a mix of government, Non Government Organisation (NGO) and market-led efforts.

FPOs have been envisioned as a strategic solution to empower small and marginal farmers, addressing their inherent disadvantages, such as

1 https://timesofindia.indiatimes.com/blogs/developing-contemporary-india/making-agriculture-viable-for-small-and-marginal-farmers/

low bargaining power, inadequate access to markets, and limited capacity to invest in technology or infrastructure on an individual basis. By pooling resources and working collectively, FPOs aim to enhance farmers' incomes, improve market linkages, and enable the adoption of innovative agricultural practices.

Over the past decade, agri-focused start-ups emerged across India, which are trying to address the inefficiencies in the agricultural value chain. These start-ups are innovating in areas such as precision farming, climate-smart inputs, post-harvest storage, market linkage, digital advisory, agri-fintech, and farm mechanisation. For the FPOs to work as enablers for these agri-tech start-ups, it is important to understand the challenges faced by farmers and FPOs for the adoption of these technologies and the ways in which FPOs and start-ups can work together for the adoption of the technologies on ground.

2. Challenges to Adoption of Technology

2.1 Farmer-Level

1. **Distrust for a new technology:** Farmers hesitate to adopt new technologies due to lack of trust. The "*dekha dekhi*" tendency to adopt technologies based on results visible is prevalent and farmers will go with a new product or technology if someone who they trust vouches for the same.
2. **Low digital literacy:** As per the Input Survey by the Ministry of Agriculture and Farmers' Welfare (MoA & FW), 2016, a majority of operational landholdings belonged to farmers in the age group of 40 and above, with limited formal schooling, making it harder to adapt to rapidly-evolving digital interfaces. As per an article published by Samunnati, "Merely 23.4% of adult Indians living in rural areas possess basic digital literacy. It emphasises that farmers, particularly older ones, face challenges in using digital tools efficiently due to limited digital fluency."[2]

2 https://samunnati.com/bridging-the-digital-divide-unveiling-challenges-for-indian-farmers-in-a-digital-age/?utm_source=chatgpt.com

3. **Long testing cycle:** Often, testing a product in agriculture requires at least one crop season of four to six months for results to manifest. If the product fails or produces adverse outcomes, it can result in significant financial losses for individual farmers, further affecting the risk-taking ability of farmers.

2.2 FPO-Level

1. **Data availability**: Although FPOs are grassroots organisations formed by farmers themselves, they are often not fully equipped with detailed, granular data related to their operational areas. For instance, critical information such as acre-wise landholdings, the exact size of farms, cropping patterns, and precise production figures such as the tonnage of output from each plot of land, may not be systematically recorded or readily accessible. This lack of robust, real-time data can hinder effective decision-making, limit the ability to forecast supply accurately, and create challenges for start-ups or other stakeholders seeking to collaborate with FPOs on targeted interventions.
2. **Difficulty in adopting high capex solutions:** While FPOs may seem to be at a greater advantage than individual farmers to adopt higher capex solutions, it is difficult for the FPOs as well to adopt high capex technologies. Many FPOs struggle to meet the stringent requirements of formal financial institutions, and they often lack the necessary financial literacy and documentation to demonstrate creditworthiness.

As per National Bank for Agriculture and Rural Development (NABARD), "The key challenges faced by FPOs in accessing finance include low capital base, absence of credit history, non-availability of collateral, inadequate capacity-building of board members and CEO, and lack of professionalism. Besides, there are factors such as low level of active member participation in business and meeting the various compliance requirements by the FPOs."[3]

3 https://www.nabard.org/news-article.aspx?id=25&cid=552&NID=461

While these challenges highlight the complex barriers that farmers and FPOs face in adopting new technologies, they also underscore the critical role that FPOs can play in overcoming them. We feel that FPOs can transform these challenges into opportunities for growth and resilience through the following ways:

1. **FPOs as trust enablers for the farmers:** Since FPOs are constituted of farmers around them, they can work as influencers for the common farmers.
2. **FPOs as infrastructure owner for accelerating innovation adoption:** Considering the demographics of Indian farmers, where small and fragmented landholdings are the norm, it becomes crucial to develop shared infrastructure which smallholder farmers can take on rent and create mechanisms to collectively bear the risks associated with agriculture's long testing and adoption cycles. In doing so, they act as a vital bridge between start-ups and the farming community, accelerating the adoption of new technologies and practices at scale.
3. **FPOs as market aggregators for the start-up:** While start-ups often struggle to generate demand for their products and face challenges in reaching individual farmers, FPOs serve as a vital solution. They not only aggregate farmers' needs but also enable start-ups to engage with a large network of farmers more efficiently.

   According to Puran Singh, co-founder of EF Polymer, "*We would like FPOs to actively facilitate direct interactions with farmers. Being included in internal meetings would be especially valuable, as it provides an opportunity to educate farmers collectively about our technology and its benefits.*"
4. **FPOs as distributors of innovative products:** In the current landscape, farmers often rely solely on traditional retailers or middlemen to access agricultural products and innovations. This dependency can lead to inflated costs and limited exposure to newer, more effective solutions. By stepping in as direct distributors of start-up products and technologies, FPOs have

the potential to transform the dynamics. For instance, FPOs can procure products directly from start-ups and supply them to their member farmers, thereby offering these solutions at more affordable rates, bypassing intermediaries and reducing costs for farmers. Simultaneously, FPOs can create a sustainable revenue stream for themselves through modest margins and strengthen their financial stability.

3. Enablers as Catalysts in Adoption of Technology

We spoke to farmers and FPOs on ground and found that they constantly seek technologies which help in good yield and prices for their produce. Hence, it becomes crucial for the right technologies to reach these FPOs at the right time.

However, the adoption of these innovations doesn't happen automatically. It requires robust due diligence, clear articulation of the start-up's value proposition, and proof of concept that resonates with the farmers' needs. With over 10,000 FPOs in India, it is practically impossible for individual start-ups to engage with each one directly; intermediaries bridge this gap and accelerate meaningful adoption.

This is the vital role intermediaries play. They must operate on both ends – understanding the needs and constraints of FPOs while also helping start-ups refine and align their offerings. Organisations such as the Marico Innovation Foundation (MIF), Villgro, Social Alpha etc. which supports climate-focused start-ups, and the National Association of Farmer Producer Organisations (NAFPO), which works closely with FPOs across the country, act as crucial connectors. They serve as central nodes in the ecosystem, enabling scalable and efficient outreach.

To enable trust and make technologies affordable, the enablers can help in multiple ways:

1. **Enablers can first help in introducing the technologies to the FPOs:** Playing the role of an aggregator and ensuring that the right technologies reach the FPOs is crucial in enabling the successful adoption on ground.

2. **Mobilise Corporate Social Responsibility (CSR) and philanthropic grants:** Enablers can play a crucial role to bring in blended finance in order to lower the cost of adoption on ground. This can pave the way for adoption of high-cost technologies by the FPOs or farmers and can also lower their risks.
3. **Help the start-ups to create a value proposition for the farmers:** We observed that founders of start-ups often come from technical backgrounds and need help in positioning of their product to the farmers. Enablers work with start-ups to refine their Go-to-Market strategy and their value proposition so that they can showcase the value benefit or the return of investment of the technology adoption to the farmers.

4. Facilitating Conditions

While enablers can help bridge the gap between start-ups and the FPOs/farmers, there are certain conditions that FPOs and the start-ups need to meet to enable adoption.

4.1 FPO-side Conditions:

1. **Strong governance and leadership:** FPOs must have transparent governance, accountable leadership, and decision-making that reflects farmer interests. For example: Sahyadri Farms (Maharashtra) became India's largest grape-exporting FPO because of professionalised management, clear leadership roles, and farmer-centric policies, making them a trusted partner for start-ups in traceability, agri-inputs, and exports.

   As per an India Development Review (IDR) report, "FPOs find it difficult to attract and retain skilled professionals who can discharge CEO and other managerial responsibilities. FPOs need to be commercially successful to be sustainable, so having people with business acumen on board is essential."[4]

4 https://idronline.org/features/idr-explains/idr-explains-farmer-producer-organisations-fpos/

2. **Willingness to provide data and information:** For piloting any technology, start-ups require farmers' and farm data, such as their cropping patterns, labour, water usage, yield, and other information. Data usually helps start-ups to customise their offering. FPOs ought to be willing to collect and share this data with the start-ups. For example, Canvaloop, a start-up which uses crop waste to produce textile fibres, needed the harvesting output data from the farmers in Madhya Pradesh. The start-up was able to collect the waste only after the FPO mapped the land and helped the start-up understand the threshing practices on the ground. On coordinated implementation, the project led to an additional income of thousands of rupees for the farmers.
3. **Willingness to experiment and adopt innovation:** Not all FPOs are open to risk or trying new models. Effective partners show entrepreneurial orientation and openness to pilot projects. For example: In May 2023, Kattangur Farmers Producer Company Limited (KFPC) acquired two 5-tonne solar-powered cold storage units from Inficold, a cold chain technology company. This initiative was significantly supported by the Bharatiya Vikas Trust (BVT), an NGO, along with contributions from the farmers themselves. The adoption of these solar cold storage units has more than doubled the incomes of the participating farmers. By enabling better storage of perishable produce, farmers can now sell their goods at optimal market times, reducing waste and increasing profitability.[5]
4. **Openness to new technologies**: Sometimes farmers become complacent with the current methods of working and discard the new age methods thinking they may cause distraction and waste of time. FPOs should be constituted by progressive farmers who can think long term and influence others to adopt new technologies. For example, Sahyadri Farms embraced technology early, investing in automated grading and packing lines, traceability systems, digital

5 https://www.reuters.com/business/cop/heat-hit-indian-farmers-use-solar-powered-fridges-keep-food-fresh-2022-12-01/

dashboards, and blockchain for exports. Their leadership actively encouraged members to move away from middlemen, embrace direct-to-consumer channels, and comply with Global Good Agricultural Practices (Global GAP) certification requirements, even though it initially seemed complicated or unnecessary to many farmers.

4.2 Start-up side Conditions:

1. **On ground proof of technology:** Some agriculture experts that we have spoken to believe that the entrepreneurs are not in direct touch with the farmers and do not spend time understanding their needs. Hence, the technology is developed without taking farmer inputs and may not even be required by the farmer. The start-ups need to spend time on ground to understand their real-time needs and include farmers in developing solutions. FPOs will be able to promote the solution only when there is an actual need and the technology has been tested on ground.
2. **Start-ups need to work as collaborators and not just suppliers:** Start-ups must engage as long-term partners, and not just solution providers. For meaningful and sustained impact, start-ups need to go beyond transactional relationships. Merely offering a product and expecting FPOs to manage sales independently is insufficient. Instead, start-ups should actively co-develop the go-to-market strategy alongside FPOs, collaboratively building the distribution and support infrastructure needed to drive adoption at scale.
3. **Ensure affordability and accessible financing:** Agri-tech solutions must be designed with affordability at their core. Given the limited financial capacity and low risk appetite of smallholder farmers and FPOs, high-cost technologies, regardless of their value, are unlikely to scale without innovative financing models. Entrepreneurs must consistently anchor their product strategies around the realities of their end users, ensuring that pricing and payment structures reflect their ability to invest and experiment.

5. Conclusion

It is essential to recognise that FPOs, in many ways, are start-ups themselves. While their formation has been significantly supported by government policies and schemes, their long-term success rests on their ability to evolve into self-sustaining enterprises. Government assistance can offer critical early-stage support, but it is neither indefinite nor comprehensive. For FPOs to endure and thrive, they must adopt an entrepreneurial mindset – actively seeking opportunities to build sustainable revenue models that benefit both the organisation and its member farmers. This calls for strategic vision, operational independence, and a commitment to innovation. In an increasingly competitive and dynamic agricultural landscape, only those FPOs that can transition from being support-dependent entities to financially resilient businesses will be able to drive lasting impact at scale.

Case Study: Success Story of E F Polymer and Mohammadabad Karanpur Majra Bansmai Farmer Producer Company

EF Polymer, a startup which makes natural polymer to increase the water retention capacity of soil by 40%, works closely with FPOs to bring them better and more sustainable farming solutions. One of their most successful partnerships has been with the Mohammadabad Karanpur Majra Bansmai Farmer Producer Company, which is led by Praveen Kumar – a very energetic, passionate, and hardworking farmer.

Coming from a farming family, Praveen Kumar was no stranger to the daily struggles of farmers – declining soil fertility, erratic rainfall, and low productivity. But instead of waiting for external help, he took the initiative to find solutions. One major breakthrough came when EF Polymer partnered with the FPO to introduce **Fasal Amrit**, their flagship organic and biodegradable soil moisture enhancer. In

Case Study (*contd.*)

the early stages, there was **significant reluctance** among farmers. Many were sceptical about trying a new product, especially one that seemed expensive compared to heavily subsidised alternatives like chemical fertilisers.

Praveen played a crucial role in bridging this gap. Praveen didn't just promote the product, he tested it on his own farm, showed it to other farmers, arranged group meetings, and explained how to use it. Because of his efforts, many farmers started using Fasal Amrit and saw good results. Their crops improved, and they used less water and fertiliser. Once the initial resistance faded, adoption grew rapidly. Farmers who used Fasal Amrit reported:

- Up to **30–50% reduction in water usage**
- **Healthier root growth** and stronger plants
- **Better yields** even in dry spells
- **Lower dependency on chemical fertilisers**

Through this partnership, EF Polymer achieved the following:

- **Cost-effective market entry** into rural regions with minimal investment in distribution or sales staff
- **First-hand farmer feedback** that shaped future product training and application guidelines
- A **network effect** wherein word-of-mouth and peer influence drove adoption
- **Long-term trust and credibility** at the grassroot level

The collaboration also offered them a **replicable model** for other FPO tie-ups, accelerating their mission to reach **smallholder farmers across India** in a financially and logistically sustainable manner.

Chapter 9

FPO Failure – An Exploratory Inquiry into What Didn't Work

Urvi Mishra

1. Introduction

Over the years, we have spoken of Farmer Producer Organisations (FPOs) with hope, and rightly so. They were envisioned as vehicles of rural transformation, promising economic dignity through collective strength. But those of us who have walked the field, sat across unsure Board of Directors (BoD), and trained groups in dusty schoolrooms know that hope alone isn't enough.

This chapter is a reflection – a grounded account for those who care about making the FPO vision truly work. If we want FPOs to thrive, we must look honestly at what didn't work.

The 10,000 FPO scheme was ambitious and timely. It brought together policy intent, funding, and institutional mechanisms into one cohesive mission. Cluster-Based Business Organisations (CBBOs) were tasked with nurturing these FPOs – from registration to operational sustainability.

But before we go further, we must ask a foundational question: **What does failure mean for an FPO? And before that, we need to define or understand what business failure means, since FPOs, at the end of the day, are commercial organisations.**

Ropega (2011), while expounding reasons and symptoms of failure, began with describing what failure in Small and Medium Enterprises (SMEs) means. Citing literature, he explains that it is difficult to define failure of SMEs, and the lack of a consensus about what it actually means. However, business failure could be due to a variety of reasons from discontinuance of a business for any reason to formal bankruptcy proceedings. In the article, Ropega proposes that the idea behind defining failure is to understand the reasons for failure and prevent its recurrence. As such, it is emphasised that it is pertinent to explore failure as a process, since the phenomenon unfolds as a series of steps that culminates into what is finally called business failure.[1]

Against this theoretical support, we attempt to define failure of FPO as its inability to fulfil its core purpose – empowering smallholder farmers through collective economic activity. This includes falling short on financial sustainability, failing to secure viable market linkages, disengaged membership, and poor governance. When an FPO operates without capacity, market alignment, or institutional support, it becomes a legal shell, not a transformative enterprise.

2. From Ground Zero

To get to the pulse of the problem, we conducted detailed interviews with three persons who have been associated with different FPOs for a long time, right from formation in certain cases, and have observed FPOs from the closest quarters, not as outsiders but as integral stakeholders. The gist of each of these interviews is presented below.

2.1 Mr. Yogesh Dwivedi, CEO, Madhya Bharat Consortium of Farmer Producers Company Ltd. (MBCFPC)

In a detailed conversation, Mr Dwivedi pointed out that many FPOs fail because they are externally initiated – often by Non Government

1 Ropega, J. (2011). The reasons and symptoms of failure in SME. International Advances in Economic Research, 17(4), 476-483. doi:https://doi.org/10.1007/s11294-011-9316-1

Organisations (NGOs) or government agencies – resulting in limited farmer ownership and weak member engagement. Leadership tends to lack grassroots connection, leading to poorly aligned strategy and execution. Critical functions like business planning, market linkage, and governance suffer from a shortage of skilled staff, who are often poorly retained due to insufficient funding. There are significant financial limitations: small government grants fail to cover professional services or infrastructure needs. Moreover, FPOs frequently cannot meet farmers' core expectations – such as timely access to quality inputs, fair pricing, and reliable market channels – prompting disengagement. As results only emerge after 12–18 months, the absence of early wins further reduces trust and momentum. Mr Dwivedi emphasised that only truly farmer-led organisations, backed by strong local leadership, professional talent, adequate resources, and visible early benefits, can evolve into sustainable, community-owned enterprises.

2.2 Mr Nihar Priyadarshi, Lead, Foundation Team – Samunnati

Mr Nihar Priyadarshi highlighted the deep structural and behavioural barriers faced by FPOs. India's small and marginal farmers, who form the backbone of FPOs, depend heavily on middlemen for immediate credit, liquidity, and market access. These relationships are built on trust and convenience – cash transactions happen instantly, unlike FPO payments, which are delayed by banking and bureaucratic processes. Even when prices offered by the FPO are higher, the friction of formal payments outweighs the benefit. Additionally, farmers tend to prioritise individual gain over collective participation when FPOs fail to offer prompt value. Technological tools offered by FPOs often exclude the majority due to low digital literacy and access. Business acumen within FPO leadership – covering areas such as governance, planning, legal compliance, and marketing – is often lacking. Finally, overlapping regulatory requirements from agricultural and corporate ministries impose significant burdens, and dependence on schemes and political influence further limit FPO autonomy and strategic decision-making. Priyadarshi recommends crop- and geography-specific models, deregulation, early investment in leadership and professional support, and delivering early wins to build farmer confidence.

2.3 Mr Suryamani Roul, Manging Trustee of Forum of Enterprises for Equitable Development (FEED)

Mr Suryamani Roul drew attention to the disconnect between policy timelines and FPO maturity timelines. He emphasised that while FPOs typically receive just two to three years of operational support, they actually need five to seven years to become self-sustaining. Despite India having around 50,000 FPOs with hundreds of thousands of farmers, active participation and loyalty are limited, undermining trust and operational momentum. Many FPOs lack commercial orientation; they focus on community building but fail to develop systems for revenue tracking, surplus generation, or formal growth. Infrastructure gaps in processing, cold storage, and logistics mean the value addition potential remains unrealised. Financial fragility of FPOs arises from seasonal cash flow issues, weak equity, limited access to formal credit due to weak creditworthiness. Poor governance and low-tech adoption leave FPOs vulnerable. Roul proposed a phased, six-to-seven-year ecosystem with sustained support in finance, leadership, technology, infrastructure, markets, and regulation – anchored in his "Four C's" framework: Community, Commodity, Commercials, and Clusters – then identify viable crops; formalise business models; and finally, scale through regional cluster integration to strengthen value chains. Begin with validating business viability at the community level prior to registration, and follow with sustained support – covering finance, capacity-building, technology, infrastructure, market linkages, and regulatory simplification. Such a comprehensive reform would transform FPOs from fragile collectives into enduring agribusiness enterprises.

3. Prominent FPO Failure Causes

Based on the interviews, we arrived at a list of causes that seem to be recurring and critical reasons that are not only interlinked but also reinforce internal weakness leading to failure of FPOs.

3.1 Baseline Studies That Never Touched the Soil

The process was supposed to begin with a baseline study – an honest attempt to understand farmers' economic realities. But many CBBOs reduced this to a paperwork formality. Untrained enumerators filled in surveys; data went unanalysed; reports were often copy-pasted with only the FPO name changed. In the absence of a real diagnostic, FPOs pursued business models unsuited to local needs – pushing input supply where demand was saturated or aggregation where infrastructure didn't exist. The failures were predictable.

3.2 Awareness Campaigns That Never Truly Happened

Community awareness is a prerequisite for collective enterprise. Yet in many cases, this step was skipped or diluted. Rural memory runs deep – many farmers have been previously misled. Vague promises were not enough to rebuild trust. Some CBBOs tried – organising meetings or distributing pamphlets – but without follow-through or clarity, these efforts fell flat. In some villages, farmers learnt they were "shareholders" only when summoned to meetings they never consented to.

3.3 Business Plans Without Market Logic

Standardised business plans – input sales, seed production, produce aggregation – were rolled out without assessing local crop patterns, buyer access, or feasibility. One FPO proposed a turmeric value chain, though no member grew turmeric. Another planned seed production with no access to certified inputs. The issue wasn't with the ideas – but with their blind replication. Yet, the few FPOs that succeeded had one thing in common: they began with one crop, one buyer, or one service that farmers actually needed.

3.4 Capacity-Building: Missed Investment, Lost Momentum

Running an FPO requires skills – from compliance to market dynamics. Most BoD members are smallholders who need contextual, repeated, and vernacular training. But capacity-building was often limited to one-time sessions or inaccessible handbooks. In some cases, even CBBO staff were unsure of legal processes. As a result, BoDs disengaged, meetings lapsed, and FPOs defaulted on statutory filings, becoming inactive entities on paper.

3.5 A Fragmented Ecosystem

The FPO model demands coordination – CBBOs, Small Farmers' Agribusiness Consortium (SFAC), National Project Management Agency (NPMA), Resource Institutions (RIs), district authorities, and banks must align. In practice, they operated in silos. Diagnostic reports went unread; district committees were dormant; ecosystem actors functioned more on flowcharts than on ground presence.

3.6 Finance: Promised, but Not Delivered

Working capital is oxygen for FPOs. Yet banks hesitated. Lacking credit history and collateral, most FPOs couldn't qualify. Government schemes were too complex to access. Innovative solutions – like revolving funds or donor-supported blended finance – existed but were isolated examples, not systemic norms.

3.7 Compliance-related Challenges

Regulatory compliance posed persistent hurdles – delays in filing returns, poor record-keeping, absence of audits, and lack of Goods and Service Tax (GST) and income tax filings. Without professional help or governance practices, many FPOs incurred penalties and lost credibility – closing doors to future support.

4. Way Forward: What It Will Take

4.1 Go Back to the Ground

Many FPOs began without a real understanding of farmer needs. It's not too late. Any and every organisation working with the FPOs ought to sit with farmers. Ask what crops are grown, what measures can be taken up, how would it benefit the farmers, and in turn the FPO and the other stakeholders. Understand the lacunae from a value chain perspective, the points that lead to losses. Farmers and FPOs need to have clear bidirectional expectations. A grounded baseline – even now – can course-correct the journey.

4.2 Build Business Plans Farmers Can Understand

We've seen business plans that no BoD member could explain. Let's simplify: "What are we selling? To whom? At what price?" If a farmer can explain it to another farmer, it's a viable plan. Business plans ought to build in commercial robustness in a simplified language that could be understood by farmers, since, in the end, they are the drivers of the enterprise.

4.3 Rebuild Farmer Trust

Many farmers feel they were added to FPOs without clarity. This is the time to engage honestly. Make it clear that FPOs are farmers' own organisations, and they have to undergo a period of investment before returns start accruing. The handholding and supporting agencies should establish that they are willing to stand through with the farmers. Trust is slow, but it begins with listening.

4.4 Train – and Stay

One-day trainings don't build leadership. FPOs need continuous handholding, especially in the first 12–18 months, and then over a few years before system strength is created. Someone who shows up not just for workshops but when sales drop or books don't tally. There are bound to be difficulties till a few business lines become well-entrenched, and trainers should provide necessary guidance till at least the core functions become systemic.

4.5 Connect the System

Right now, CBBOs, SFAC, banks, and districts work in isolation. A shared communication channel – like a quarterly meeting or digital dashboard – can solve half the coordination problems. A business plan prepared by a CBBO is incomplete if it does not incorporate financial planning that the bank or lender understands and is willing to support. The system doesn't have to be perfect – it has to be connected.

4.6 Unlock Timely Finance

The best plans die waiting for money. In case of FPOs, it is not just timely and adequate finance which is required, but also new financial models that suit the different business models that FPOs entail.

4.7 Build a Culture of Shared Accountability

Let's replace blame with reflection. If an FPO is struggling, ask: Did we train enough? Did we push a business plan too soon? Accountability must be shared – across CBBOs, institutions, and implementers.

Conclusion

Perspectives and observations of experts in the field highlight that the reasons for FPO failure are grounded in lacunae that arise from a hands-off, transactional and transitory engagement with FPOs. A fundamentally empathetic, patient, and context-driven approach: resilient farmer leadership, professional support, adequate long-term resources, infrastructural investment, early wins to foster trust, simplified regulation, and scalable, cluster-based models. Only then can FPOs transition from fragile collectives into robust, community-owned agribusinesses capable of truly transforming India's rural landscape. It is high time that even the policy focus shifts beyond forming FPOs to helping them grow deeper roots.

List of Tables

Authors' Profile

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Aashish Argade is an Assistant Professor in the marketing area at Institute of Rural Management Anand (IRMA). He is a graduate in Agriculture from Acharya N. G. Ranga Agricultural University (ANGRAU) and has a PG Diploma in Agri-Business Management from CCS National Institute of Agricultural Marketing (CCS NIAM), Jaipur. He is a Fellow of the Indian Institute of Management Ahmedabad (IIMA). Prior to academics, he worked in the industry in the profiles of sales, marketing, strategy, business development, and product development at DCM Shriram Ltd., JK Agri-Genetics Ltd., and NCDEX Ltd. His research focuses on marketing in the domain of agriculture and food.

Aneesha Bali

Aneesha anchors as the Lead for Institutions and Partnerships at NAFPO. She is currently responsible for strategising key activities, enhancing the 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 objectives 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. Aneesha holds a post-graduation degree from Tata Institute of Social Science, Mumbai in Livelihoods and Social Entrepreneurship.

Anish Kumar

Anish is the Managing Trustee for NAFPO and has invested over 20 years on 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 participation of small-holder farmers in modern value chains. Anish 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. Anish has been a member of the Planning Commission Working Group on disadvantaged farmers, and has been involved in designing of policies on producer collectives. Currently, he is leading Transform Rural India as the Managing Director.

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Vijay is a consultant with NAFPO since 2019 and has over 10 years of experience in the sector, focusing on market linkages, business management, and risk management of FPOs. He has worked with multiple FPOs, conducted trainings on business management, and has presented concept papers on managing risks at FPOs to Echoing Green Fellowship and the Clinton Global Initiative. He is an Aeronautical Engineer with a Post Graduate Diploma in Liberal Arts from Ashoka University.

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Priyadarshini Ganesan is Research Manager – Climate & Agriculture Finance at Dvara Research, where she studies the role of financial systems in advancing inclusive and sustainable development, with a particular focus on agriculture and climate action. Her research explores how financial access can be translated into meaningful improvements in the lives of low-income and climate-vulnerable populations. She brings over a decade of multidisciplinary experience across corporate, public sector, and research settings. Her work is informed by deep engagement with a range of stakeholders, including smallholder farmers, micro and small enterprises, low-income households, and formal financial institutions. Her current research focuses on the design and delivery of context-appropriate financial instruments that can enhance the financial well-being of underserved communities while serving as catalysts for equitable climate transitions.

Anil Kumar SG

Anil Kumar is founder and CEO of Samunnati Group; he founded Samunnati with a vision to make markets work for smallholder farmers. As a career banker, he spent decades in the rural and farming sector. A passionate believer on collectivisation in the Agri-sector, he serves in many government and industry bodies and contributes his ideas to policymaking and implementation to address challenges of Indian agriculture.

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Vaishali is an accomplished professional with a strong background in strategic consulting, capacity building, and project management. Currently serving as the Consultant for Institutions and Partnerships at NAFPO, she is responsible for strategising key activities and integrating strategies into actionable plans. With experience working with the Rajasthan State Rural Livelihood Mission, Vaishali has successfully established community institutions, including Farmer Producer Organisations (FPOs), and developed effective local livelihood models. Her contributions to the Indiabulls Foundation as a CSR Executive and her work with the Bihar State Minister on governance reflect her commitment to social impact and policy implementation. Additionally, she has worked with NETRI Foundation as a Program Manager, further expanding her expertise. Vaishali holds a post-graduation degree from the Tata Institute of Social Sciences (TISS), specialising in Children and Families

Syed Mansoor Abbas Naqvi

Syed Mansoor Abbas Naqvi is a Senior Practitioner at Transform Rural India with over 16 years of experience in rural development, livelihoods, and community-driven change. Deeply inspired by development stalwart Deep Joshi, Mansoor began his career with a strong sense of purpose rooted in grassroots engagement. His work spans program strategy, implementation, and design-led transformation, with a consistent focus on empowering rural communities. An active voice in the development sector, he frequently shares insights on leadership, rural transformation, and social innovation. RGMVP and Landesa are other organisations he served in leadership roles, particularly of livelihoods, gender, and women land rights issues. Currently based in Lucknow and originally from Rai Bareli, Uttar Pradesh, Mansoor remains committed to creating impact where it is needed the most.

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Ashish Shenoy is an Associate Professor of Agricultural and Resource Economics at the University of California, Davis. His research interests lie in development economics, with a focus on migration, labour markets, seasonal poverty, and policy implementation in developing countries. He received his Ph.D. in Economics from MIT.

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Travis Lybbert is a Professor of Agricultural and Resource Economics at the University of California, Davis, and serves as the Chair of the Standing Panel on Impact Assessment (SPIA) at CGIAR. His research focuses on the microeconomics of development, including poverty dynamics, risk, and technology diffusion. He has worked on applied microeconomics topics ranging from hope and aspirations to agricultural technology adoption and digital financial inclusion, collaborating with various organisations in India, Haiti, and throughout Sub-Saharan Africa.

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Raghav Raghunathan is a PhD student at Wageningen University. He holds a Masters in Agricultural Economics from UC Davis and was a Fulbright Nehru scholar at UC Berkeley. Raghav was formerly the Principal of the Farmers Segment at NCDEX and began his professional career working with Producer Companies in India.

Suranjana Ghosh

Suranjana Ghosh heads Marico Innovation Foundation (MIF), a non-profit initiative founded by Harsh Mariwala, with a mission to nurture innovation in India and create measurable impact. Suranjana is responsible for bringing together experts and thought leaders across sectors to strengthen India's innovation ecosystem. She plays a vital role in conceptualising new programs and adding enhanced rigour and scale to existing programs including Scale-up and the recent Plastics initiative undertaken by the foundation. With over two decades of blended experience in the profit and not-for-profit sectors across L'Oreal, Kellogg, BBC World News, CNBC-TV18, Dasra, and Power for All, she is a multi-disciplinary leader adept at developing and executing strategy, building and growing teams, and establishing systems and processes to drive behaviour change coupled with business growth. In the social impact sector, she has contributed to projects funded by The Bill and Melinda Gates Foundation, IKEA Foundation, CIFF, and The Rockefeller Foundation.

Vartika Agarwal

Vartika Agarwal currently leads the Agriculture and Clean Technology vertical under the Scale-Up Program at Marico Innovation Foundation (MIF) – an accelerator designed to support start-ups in scaling from ₹1 crore to ₹100 crore in revenue. In her role, she works closely with start-up founders to address key business challenges, while also building a robust ecosystem of industry leaders, partners, and networks to fuel their growth. Vartika brings a diverse background, having worked across sectors such as steel, FMCG, and healthcare. She has also been a former entrepreneur in the food industry and carries a deep passion for innovation and entrepreneurship.

Urvi Mishra

Urvi Mishra is a consultant at NAFPO, where she focuses on strengthening Farmer Producer Organisations through capacity building, policy engagement, and strategic implementation. With over seven years of experience in rural development, she works on aligning grassroots institutions with national priorities, designing training modules, and facilitating knowledge systems to support sustainable agriculture models. Prior to NAFPO, she worked with organisations such as SRIJAN, TechnoServe, and Samaj Pragati Sahyog, where she supported community-led agri-enterprises, implemented value chain interventions, and coordinated FPO governance and compliance frameworks. Urvi holds a post-graduate degree in Rural Development (MBA-RD) from GB Pant Institute of Social Science, Allahabad University.

India's Farmer Producer Organisations ecosystem with an enabling policy support, scaling up numbers, stakeholder partnerships, innovative business models, represent the hope and resilience of small and marginal farmers offering pathways for sustainable livelihoods. We at NABARD are committed to the role of ecosystem enabler through support for developmental models, credit facilitation, building capabilities and engaging collaborations. This *State of the Sector Report 2025* offers grounded insights on credit mechanisms, governance and enterprise-readiness, capturing the evolving pulse of the sector. It is a trusted annual resource for policymakers and practitioners committed to the FPO sector and I congratulate NAFPO for this curated important report.

Dr A V Bhavani Shankar
Chief General Manager
NABARD

The State of the Sector Report stands as a testament to the thoughtful incubation and remarkable effort invested in advancing new understanding and ideas among a new generation of farmers, farmer producer companies, practitioners, sector experts, and policymakers across the country. I have had the great privilege of being an integral part of the FPO movement since its inception – witnessing firsthand how this initiative has inspired millions of small farmers to aspire to become agripreneurs and owners of new agri-enterprises.

Despite various initial setbacks and challenges, the FPO movement is now entering a new phase of growth and development. In this context, a resource like the *State of the Sector Report*, with its rich compilation of information, is invaluable for all stakeholders – practitioners and policymakers alike. My sincere thanks to the writers, contributors, and NAFPO for creating such a comprehensive and insightful compendium on FPOs, presented through the *State of the Sector Report 2025.*

Yogesh Dwivedi
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