



FARMER PRODUCER ORGANIZATIONS (FPOs): A CATALYST FOR RURAL DEVELOPMENT

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Introduction

Farmer Producer Organizations (FPOs) are collaborative entities formed by farmers to synergize their efforts in agricultural production, marketing, and resource management. These organizations are instrumental in empowering rural communities, augmenting farmer livelihoods, and fostering sustainable agricultural practices.

Key Features of FPOs:

- **Collective Action:** FPOs enable farmers to work together, leveraging their combined bargaining power in the market.
- **Economies of Scale:** By pooling resources and negotiating as a group, FPOs can access better prices for inputs and achieve economies of scale in marketing their produce.
- **Value Addition:** FPOs often engage in value-added activities like processing, packaging, and branding, increasing the value of their products.
- **Knowledge Sharing:** Members of FPOs can share knowledge and best practices, leading to improved agricultural techniques and higher yields.
- **Sustainable Agriculture:** FPOs can promote sustainable agricultural practices, such as organic farming and conservation agriculture, to protect the environment and ensure long-term food security.

Benefits of FPOs:

- **Increased Income:** By reducing the middleman's margin and accessing better markets, FPOs can help farmers earn higher incomes.
- **Improved Market Access:** FPOs can connect farmers with larger markets, both domestic and international, expanding their customer base.
- **Enhanced Quality Control:** FPOs can implement quality standards and ensure consistent product quality, leading to greater consumer trust.
- **Risk Management:** FPOs can provide risk management services, such as crop insurance and collective bargaining, to protect farmers from market fluctuations.
- **Community Development:** FPOs can contribute to the overall development of rural communities by creating employment opportunities and improving infrastructure.

Farmers Producer Organizations / Companies (FPOs/FPCs) have emerged as powerful vehicles for empowering farmers and promoting agricultural sustainability.

However, accessing adequate funding remains a significant challenge for many FPOs. This article explores emerging avenues for FPOs to mobilize funds, expanding their horizons and enabling them to achieve their full potential.

1. Government Grants and Funding for FPOs

Government of India

The Indian government has been actively promoting the growth and development of Farmers Producer Organizations (FPOs) through various institutions viz., Small Farmers Agribusiness Consortium (SFAC), National Bank for Agriculture and Rural Development (NABARD), National Cooperative Development Corporation (NCDC) and National Agricultural Cooperative Marketing Federation of India Limited (NAFED). The grants and funding programs provided by government aim to empower FPOs, enhance their capabilities, and facilitate their contribution to the agricultural sector.

The Government of India initiated the Central Sector Scheme (CSS) for the establishment and development of 10,000 Farmer Producer Organizations (FPOs) in 2020, allocating a substantial budgetary outlay of Rs. 6865 crores. The scheme's implementation is facilitated by Implementing Agencies (IAs), which collaborate with Cluster Based Business Organizations (CBBOs) to form and provide comprehensive support to FPOs over a five-year period. This support encompasses business plan development and execution, with a focus on establishing robust marketing channels and sustainable market linkages for the FPOs.

FPOs will receive financial support of up to Rs. 18 lakhs per organization over a three-year period. Additionally, a matching equity grant of up to Rs. 2,000 per farmer member, capped at Rs 15 lakh per FPO, will be provided. Furthermore, a credit guarantee facility of up to Rs. 2 crores per FPO will be extended to facilitate access to institutional credit from eligible lending institutions.

Moreover, FPOs can leverage additional support from various Government of India initiatives, including the Agricultural Marketing Infrastructure (AMI) scheme, the Agriculture Infrastructure Fund (AIF), and the Mission for Integrated Development of Horticulture (MIDH) scheme, to further their agricultural business endeavors.

FPOs will help farmers in collective bargaining, reduced input cost, better marketing opportunities etc. Government had launched FPO trading module under National Agriculture Market (e-NAM) platform will empower FPOs to digitally market their produce directly from collection centers or farm gates. This will involve uploading product images and quality parameters to facilitate online bidding, eliminating the need for physical transportation to traditional mandis. Further, FPOs are eligible to avail financial support under Agriculture Infrastructure Fund AIF for creating eligible agri infrastructure.

Tamil Nadu State Government

The Department of Agricultural Marketing and Agribusiness (DAMA) in Tamil Nadu has implemented several initiatives to support the growth and development of Farmers Producer Organizations (FPOs) in the state. These initiatives aim to enhance the marketing capabilities of FPOs, improve their access to markets, and provide them with necessary infrastructure and support services.

The state government has introduced three key initiatives to support FPOs:

1. Mezzanine Capital Assistance (MCA) to bolster credit access
2. Credit Guarantee Scheme (CGS) to facilitate credit acquisition
3. Revolving Fund Support (RFS) to provide concessional credit

This collaborative effort will be jointly undertaken by the Department of Agricultural Marketing and Agri Business and NABARD through its subsidiary, NABKISAN.

Small Farmers Agribusiness Consortium

SFAC, the Small Farmers Agribusiness Consortium, is a specialized organization committed to elevating the incomes of small-scale and marginal farmers by promoting agricultural aggregation and business development. The organization has been instrumental in spearheading the formation and expansion of Farmer Producer Organizations (FPOs) and Farmer Producer Companies (FPCs), a model that has gained widespread

acceptance across India. SFAC is actively working to establish a resilient and profitable ecosystem for FPOs/FPCs.

To empower FPOs/FPCs, SFAC provides financial support through Equity Grants and Credit Guarantee Fund Schemes, enhancing their working capital and fostering business growth. Additionally, SFAC promotes the development of small agribusinesses by implementing Value Chain Analysis (VCA) schemes, which focus on value-added processing and strategic market linkages.

Furthermore, SFAC is actively implementing the National Agriculture Market Electronic Trading (e-NAM) platform, with the goal of creating a unified market for agricultural commodities and enhancing price transparency for farmers.

The Credit Guarantee Fund (CGF) is an integral component of the Central Sector Scheme, a government initiative launched in 2020 to establish and promote 10,000 Farmer Producer Organizations (FPOs). The scheme's goal is to help FPOs overcome challenges by providing financial assistance, including grants, loans, and credit guarantees. The CGF's purpose is to reduce the risk of financial institutions lending to FPOs, which will allow them to provide collateral-free credit and improve their ability to execute business plans.

The Credit Guarantee Fund (CGF) possesses a corpus of Rs. 1,000 crores, jointly funded by the Government of India (GoI) and the National Bank for Agriculture and Rural Development (NABARD). The GoI serves as the settlor, while NABARD acts as the trustee. The National Cooperative Development Corporation (NCDC) also oversees a portion of the CGF. The CGF extends credit guarantee coverage to financial institutions for loans disbursed to FPOs, up to a limit of Rs. 2 crores per FPO. Additionally, the scheme offers financial support of up to Rs. 18 lakhs per FPO over a three-year period, along with matching equity grants of up to Rs. 2,000 per farmer member.

Key considerations when applying for government grants and funding:

- **Eligibility criteria:** Ensure that your FPO meets the eligibility requirements of the specific scheme you are applying for.
- **Documentation:** Prepare all necessary documentation, including financial statements, project proposals, and supporting documents.
- **Application process:** Follow the prescribed application process and submit your application within the specified deadline.
- **Monitoring and reporting:** Be prepared to comply with monitoring and reporting requirements after receiving funding.

By capitalizing on these government grants and funding programs, FPOs can acquire the requisite resources to scale their operations, enhance efficiency, and contribute significantly to the growth and development of India's agricultural sector.

2. Corporate Social Responsibility (CSR) Initiatives

Corporations are increasingly looking to align their CSR efforts with sustainable agriculture and rural development. FPOs can partner with corporations to secure funding for projects that benefit both parties. For example, corporations may invest in FPOs to source sustainable agricultural products or to support community development initiatives.

3. Debt Financing

Debt financing, including loans and bonds, can provide FPOs with the capital needed to expand their operations or invest in new projects. However, it's essential for FPOs to carefully assess their financial health and repayment capacity before seeking debt financing.

Conclusion

As FPOs continue to play a vital role in the agricultural landscape, accessing adequate funding is crucial for their success. By exploring these emerging avenues, FPOs can expand their funding horizons and unlock the resources necessary to achieve their goals.