PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Standard, New Delhi
Saturday, 15th December 2018; Page: 6
Width: 44.87 cms; Height: 15.49 cms; a3r; ID: 16.2018-12-15.42

Farmer-producer organisations: An answer to distress?

SANJEEB MUKHERJEE
Betul/New Delhi, 14 December

For Birju Lal Parte, joining Maa Macha Crop Producer Company two-three years back was a live-saving decision.

The farmer-producer company (FPC), named after a local river, has provided the 39-year-old farmer from Doudi village in the Betul district — and many others — seeds at prices lower than in the market, and also bought all the maize he grew on his eight acres. The FPC sells maize to poultry firms in Punjab and Haryana, where it is used as cattle feed.

At a time when most crop prices have plummeted because of over production and low demand, joining an FPC or farmer-producer organisations (FPOs) has helped many like Parte stay afloat.

Most FPOs require members to pay only small joining capital, sometimes as low as ₹100. The benefits are many.

"At first, we start working with villagers on water and agriculture-related projects. Once a significant number of people join us, we try to form an FPO. This helps linking them to the market," said Amit Kumar Dwivedi, the young chief executive officer of Maa Macha. At his small office near the Shahpur Mandi in Betul, Dwivedi said it was because of the farmers' efforts that the market — shut for 18 years — started operations again.

How it works

An FPO or FPC is registered under Section 25 of the Companies Act.

Currently, there are about 4,500-5,000 FPOs in the county; 1,000-1,500 of these are promoted by the National Bank for Agriculture and Rural Development (Nabard).

The first FPOs were opened more than a decade back, but got a shot in the arm when the agriculture department issued a national policy and guidelines for them in 2013.

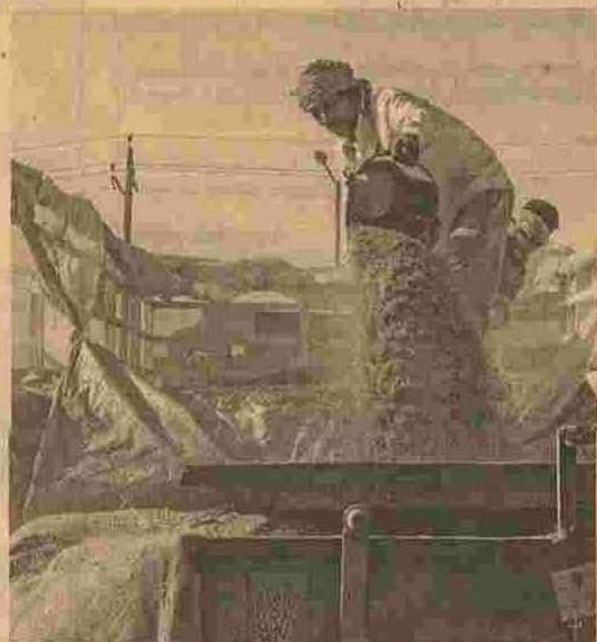
These were recognised as the most appropriate institutional form around farmers could be mobilised to build capacity and marketing strength.

This was followed by the setting up of a credit guarantee fund of ₹1 billion for FPOs in the small farmers' agribusiness consortium (SFAC) and also a matching equity grant of ₹1 million to all registered FPOs announced by the then United Progressive Alliance government in 2013-14, to enable them leverage working capital from financial institutions.

The second big push came in 2015, when Nabard issued its own guidelines for the promotion of FPOs. The National Democratic Alliance government under Prime Minister Narendra Modi, in the 2018-19 Budget, announced an income-tax holiday for the first five years of FPOs up to a total annual turnover of ₹1 billion.

Till then, FPOs were taxed at the rate of 30 per cent.

STATUS CHECK



- India has 5,000 FPOs, most of which are incorporated as Farmer Producer Companies of which 1,000-1,500 have come up in last few years
- The country requires more than 60,000 FPOs to cover all farmers through collectives
- So far UPA and NDA have announced several measures to boost FPOs, but several fundamental problems still remain
- FPOs aren't allowed to participate in price support operations in several places, while states too don't create an enabling environment
- Financing remains a big issue as banks don't have structured products for them

A long road ahead

However, despite all this, FPOs still have not managed to replace cooperatives as the main instrument for farmer collectives. The main reasons seem to be a lack of easy financing solutions, restrictions on operation in mandis, no proper guidelines for growth, and, most importantly, absence of an overarching body to champion the cause of FPOs.

Against a broad requirement of over 60,000 FPOs, India has managed to create just about 5,000.

Ashish Mandal, director of Action for Social Advancement (ASA) a resource organisation working as promoter for FPOs, said in the absence of a champion for its cause, the entire concept will take longer time to fructify.

"The SFAC was meant to be the nodal agency for promotion and growth of FPOs, but unfortunately, after initial few years, it seems to have lost track," Mandal said.

Considered one of the pioneers of FPO concept in India, Mandal was part of numerous government committees and bodies on FPOs said agriculture ministry should work with Food Corporation of India (FCI), state governments and others to enable FPOs undertake price support operations on behalf of the government.

"Besides this, states should also help in creating an enabling environment for FPOs and change the APMC laws to enable such companies to set up mandis outside APMC," he said.

On government steps to boost financing for the FPOs, Mandal said unless banks develop special products for FPOs, financing them won't improve and their scale will remain small.

"One must understand that just opening an FPO is easy, but sustaining it requires an entire ecosystem and lot of hand-holding which I see missing from the Central and state government," rued Mandal.

ASA itself promoted more than 54 FPOs since its inception of them almost 20 have closed down.