

## **FARMER PRODUCER ORGANISATIONS IN AQUACULTURE- PROSPECTS AND POTENTIALS**

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Farmer Producer Organisation (FPO) is a registered body with farmers and producers as shareholders in the organisation. It deals with business activities related to the farm produce and it works for the benefit of the member producers. It focuses on enhancement of farmer's capacity through advanced agricultural practices to increase productivity. FPO facilitates access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregators. It undertakes many activities starting from procurement of inputs to disposal of produce and acts as a bridge between production and marketing. Government of India is promoting FPOs by mobilizing the farmers and helping them in registering as companies through Small Farmers' Agribusiness Consortium (SFAC) and National Bank for Agriculture and Rural Development (NABARD). Presently, around 7,374 FPOs are in existence in the country. In order to boost farmers' income in fishery sector, ICAR-CIFA, Bhubaneswar facilitated formation of Bhargabi fish farmers Producers Company limited in Balipatna block as a part of Farmer FIRST project. This company was incorporated on 27th March 2019 with an authorized capital of Rs. 10 Lakh. Technical back up and training were provided to the members about scientific fish culture practices. The article discusses prospects and potentials of FPOs in aquaculture and suggests measures for its replication.

### **INTRODUCTION**

Agriculture as a primary sector in India is mostly production oriented. It plays an important role in Indian economy. However, due to small and scattered land holding, the small holding based agriculture has gradually become unviable. Fragmented and dispersed small producers face numerous challenges which cannot be tackled individually. In this context, a sustainable solution can be achieved through collectivisation of agricultural produce and creating commodity-specific agri value chains with participation of agri-entrepreneurs and primary producers on the equitable terms.

A Farmer Producer Organisation (FPO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen etc. Members are usually small farmers who are empowered by FPOs to trade in agricultural platforms. It is an organization of the producers, by the producers and for the producers. It is time to recognize the contributions of producer organizations and enhance their capacities to provide a much wider range of services to producers (Chander, 2013).

Till 2018-2019, a total of 7,374 FPOs have been registered in the country. However, Maharashtra alone accounts for more than one quarter of all producer companies in India. Out of these, 6391 producer companies are working on agriculture and allied activities, such as cultivation, plantations, dairies, non-timber forest produce, fish, poultry, etc. The top four states, Maharashtra, Uttar Pradesh, Tamil Nadu and Madhya Pradesh, account for 50% of producer companies registered in India (<https://thewire.in/economy/nobody-knows-how-many-farmer-producer-companies-there-are-in-india>).

SFAC has helped FPOs in registering as companies. In addition to above, NABARD is also promoting FPOs in the States. FPOs are prominent in few states, which have enabling environment, enterprising farmers and have a history of collective action (Padmaja et al., 2019). Some of the studies commissioned by NABARD, have clearly established the positive role of FPOs in terms of increased net income of farmers through informed decision making, improved access to inputs and agro-services, institutional credit, marketing facilities and enhanced efficiency in the farming operations. The government has received proposals for 21 FPOs in major fish-producing states (GOI, 2019).

**The need for FPO**

Small farmers are resource poor and rarely get the benefit in a large scale. Producers are getting smaller part of the value from the ultimate consumer due to involvement of large number of middlemen in the marketing chain. Hence, the actual need for FPO is to ensure higher income for the producers by getting the benefit of economies of scale through aggregation.

**Promotion of FPO**

Any individual or institution can promote a FPO using their own resources. In order to get financial and other support, the requirements of the donor/financing agency should be fulfilled. The NGO can also promote PO which will fetch better income to the members. Institutions providing financial and/or technical support to the producer organisation for promotion and hand-holding are NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies.

**Important activities of FPO**

The FPO will basically bridge this gap between production and marketing of what they produce. It undertakes activities right from procurement of raw material to delivery of

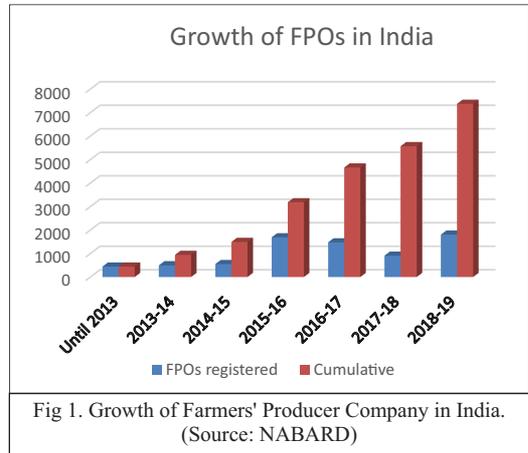


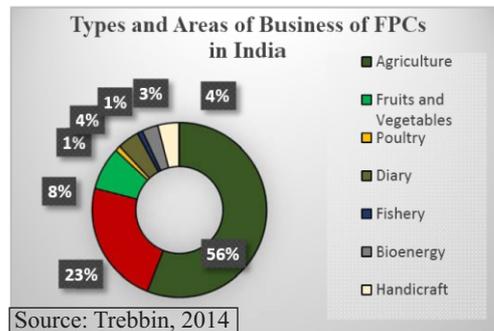
Fig 1. Growth of Farmers' Producer Company in India. (Source: NABARD)

the final product at the ultimate consumers’ doorstep. The activities involved are: procurement of inputs, dissemination of market information, technology and innovations, facilitating finance for inputs, aggregation and storage of produce, primary processing like drying, cleaning and grading, brand building, packaging, labelling and standardization, quality control, marketing to institutional buyers, participation in commodity exchange and export of the produce.

**Producer Organisation Registered as Producer Company**

"Producer Company" means a body corporate registered under amended Companies Act, 1956. In a producer company, only primary producers can become members. One can be a member by purchasing share of the company. The minimum authorized capital is Rs.5 lakh or it can be more than Rs. 5 lakh (Memorandum of Association). The authorized share capital should be sufficient for carrying out the objectives mentioned in the memorandum of association and should be realistic.

The minimum paid up capital for producer company is Rs. 1 Lakh. Every producer company name should be unique and name should end with “Producer Company Limited” which indicates its status as producer company. It may take 2 to 6 months for registering a company. The registration may cost Rs. 40,000/- approximately. Initially the promoters of the company will bear the cost of registration of the company. The promoters are generally the Producer Organisation Promoting Institution (POPI) or the initial directors. The company is governed by members, Board of Directors and Office bearers.



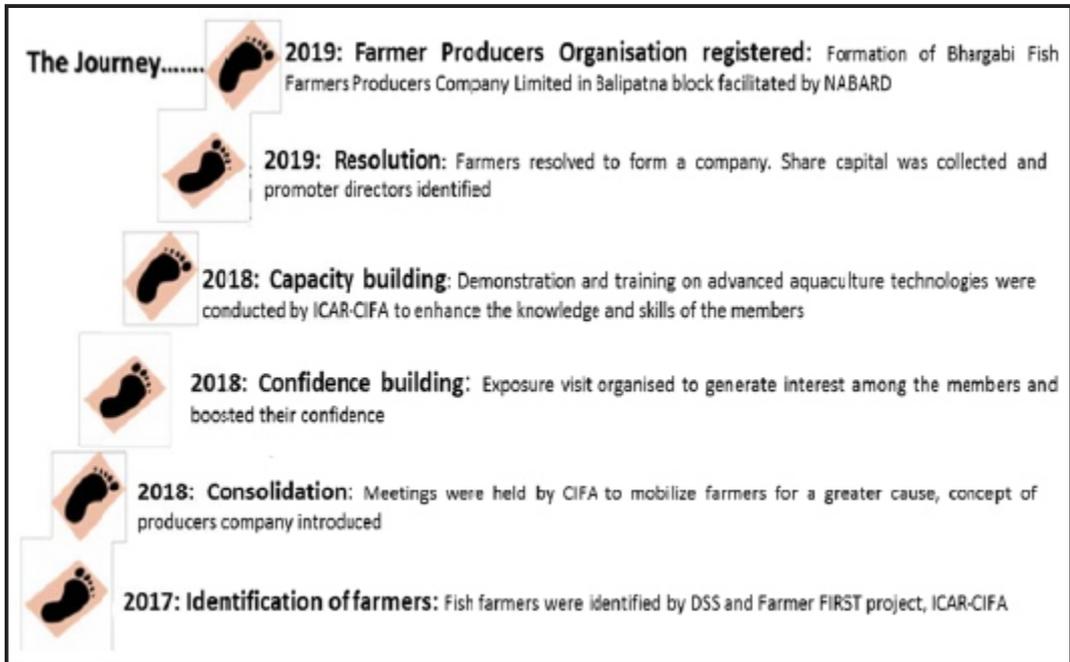
Members of the FPO elect the Board of Directors through collective meetings. A producer company can have a minimum of 5 Directors and a maximum of 15 Directors. An office bearer is appointed or selected to look after the day to-day affairs of the producer company. The office bearers include Chief Executive Officer (CEO), accountant, godown keeper, etc. The company pays salaries to all the office bearers.

**ICAR-CIFA facilitates Fish Farmers FPO**

As a part of Farmer FIRST project, ICAR-CIFA, Bhubaneswar in association with Darbar Sahitya Sansad, an NGO facilitated formation of Bhargabi Fish Farmers Producers Company Limited in Balipatna block, Khordha, Odisha. This company was incorporated in March 2019 with a CIN no- U01100OR2019PTC030755. The producer company was established with an authorized capital of Rs. 10 lakh. This initiative mainly focuses on providing technical back up to the fish farmers and enabling them to form an aggregate. ICAR-CIFA played an instrumental role in building capacities of the beneficiaries. It is envisaged that FPO will be an effective way for augmenting the livelihood of the fish farmers through increased income.

## Time line

The various events that occurred in the formation of Bhargabi Fish Farmers Producers Company Limited could be depicted in a graphic as under:



## STEPS IN INCORPORATION OF A FARMER PRODUCER ORGANISATION (FPO)

The following steps should be followed for the incorporation of a producers company:

- a. Cluster identification where the FPO can be formed.
- b. Baseline and feasibility studies should be conducted to ensure the formation of a viable FPO.
- c. Introduce the concept of producer company to the enthusiastic villagers (primary producers) through meeting and explore the need for a producer with the benefits.
- d. Frequent visits should be made to clarify all their doubts. It may take typically 3 to 6 months for this kind of social mobilisation.
- e. Discuss objectives and possible business ideas for the company with the prospective shareholders.
- f. Once the primary producers are willing to form a producer company and are ready to contribute to the share capital, collect the capital also if possible.

## **RIGHTS OF THE MEMBERS**

The members of the producer company have certain rights. Some of the major rights are: They can transfer one's shares, taking decision about the resolution and can speak in a general meeting, enjoying the profits of the company in the form of dividends; they can take part in the process electing directors and also can apply to the Company Law Board in case of oppression and mismanagement.

## **ADVANTAGES OF A FARMER PRODUCER ORGANISATION**

The members of a FPO get both the benefits of professional management of a Private Limited Company as well as mutual benefits derived from a cooperative society. As the members are the owners themselves equity cannot be traded. The advantages of a PO are described hereunder:

- Cost of production is reduced by procuring all necessary inputs in bulk at wholesale rates.
- Aggregation of produce and bulk transport reduces marketing cost, thus, enhancing net income of the producer. It increases producers share in consumers rupee (Venkattakumar and Sontakki, 2012)
- There is an advantage of economies of scale through building produce aggregation and produce are available to the traders easily.
- Access to modern technologies, facilitation of capacity building, extension and training on production technologies.
- Post-harvest losses are minimized through value addition and efficient management of value chain.
- Regular supply of produce and quality control is possible through proper planning and management.
- Loss due to price fluctuation may be managed through the practices like contract farming and agreements, etc.
- FPO disseminates updated market intelligence about price, volume and other farming related advisories
- Financial and other support services by the government / donors / service providers.
- Improved bargaining power by improving the market linkage and social capital building. It provides technical help in production and creation of social capital (ASA, 2009).

## **CHALLENGES AND ISSUES IN BUILDING ROBUST FPOS**

Though the positive role of FPOs have increased the net income through augmenting various activities in the farming operations. However, there are certain challenges and policy

gaps in the ecosystem. Mukherjee et al. (2019) estimated an income enhancement to the tune of 49% of the members of Madhya Pradesh Women Poultry Producer Company Pvt. Limited (MPWPCL) over a period of ten years. The important challenges and confronting issues in building sustainable FPOs, are - a. Lack of inadequate professional management; b. Weak financials ; c. Inadequate access to credit ; Lack of start-up; operational capital credit and support from financial institutions (Venkattakumar and Sontakki, 2012) d. Lack of risk mitigation mechanism; e. Inadequate access to market; f. Inadequate access to infrastructure; g. Competition with rich middlemen (Singh and Singh, 2014) and h. Lack of technical skills/ awareness. Hence for a robust FPO, plugging these gaps in FPO sector is very vital.

### **SWOT ANALYSIS OF FARMER PRODUCER ORGANISATIONS**

<b>Strength</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>➤ Resilience, determination of smallholder; Committed leadership (Chirwa <i>et al.</i>, 2005)</li> <li>➤ Extensive networking and linkages among farmer organizations (Ling, 2006)</li> <li>➤ Credibility with government and other stakeholders (Jere, 2005)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Low literacy rate (Abokyi, 2013)</li> <li>➤ Limited financial resources (Jere, 2005)</li> <li>➤ Lack of access to resources (Chirwa <i>et al.</i>, 2005)</li> <li>➤ Transportation and limited storage facility (Latynskiy and Thomas, 2016)</li> <li>➤ Lack of professional managers and Insufficient training and services (Aditya, 2015)</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>➤ Availability of multiple service providers-private, NGO, public sector; Enabling policy environment ; Existence of domestic, regional and international markets (Jere, 2005)</li> <li>➤ Procurement of major crops (Aditya, 2015)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Environmental and contextual problems; High level of taxes (Chirwa <i>et al.</i>, 2005)</li> <li>➤ High interest burden from financial institutes (Aditya, 2015)</li> <li>➤ Trade liberalization; Poor infrastructure (roads, hospitals, electricity and schools) (Jere, 2005)</li> </ul>

\*(Source: Nikam *et al.*, 2019)

### **SUGGESTED MEASURES FOR SCALING-UP OR STRENGTHENING OF FPOS**

- Appropriate provision in the procurement of agricultural commodities directly through FPOs under Minimum Support Price (MSP) scheme.
- Suitable amendments in the Producer Companies Act, 2013 to make provision for private equity participation and also in the Agricultural Produce Market Committee (APMC) Act to enable FPOs market their produce directly to the consumers/ bulk-buyers, without payment of mandi fee.

- Convergence of resources for creation of farm level infrastructure at FPO level for cleaning, grading, sorting, assaying, processing, branding & transportation of agri commodities up to market centre. Producer companies can link with other private companies for support and better marketing (Deepa *et al.*, 2018).
  - “Farmer-centric Schemes” should be implemented by the concerned Ministries/ departments through the FPOs for improved outcomes. Development of resource and training centre in each district for providing training to farmers on agriculture practices and empower them with updated information (Chauhan, 2015).
  - Private Institutions/ Agricultural Universities may introduce special courses on FPO promotion and agribusiness management, with focus on rural youths including women.
  - There is need to run educational campaigns targeted at producers, about the benefits of producer organisations. Proper advertisement by broadcasting should be done by government to encourage more people to join producer organisations. (Deepa *et al.*, 2018).

In line with the focus/ policy framework of the Govt. of India, the State Governments may introduce appropriate flexible policy to scale up FPO promotion and to strengthen them so as to become a self-sustaining commercially viable business enterprise of the farmers’ particularly small producers. The strategies for strengthening of FPO may focus on effective interventions like mass awareness building; institution development; forging linkages with the ecosystem and digital monitoring.

## **CONCLUSION**

This article discussed prospects and potential of FPO. The operational and managerial assistance provided by FPOs enable farmers to organise their production and post-harvest decisions. The MPWPCL was found to be highly effective in improving the poor rural women’s human, social and political dimensions of livelihood empowerment in addition to a significant economic gain (Mukherjee *et al.*, 2019). While developing policies for FPOs, it is important to consider the objectives on which the FPOs are established and also the target groups. The future strategies for scaling up of FPO should make an effort for developing and sustaining the institution. Such effort should be in the form of research, capacity building, policy and management support (Mukherjee *et al.*, 2018). FPO has huge possibility to become a model for enhancing livelihood security of small and marginal farmers in India.

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