

ENHANCING FARMERS' INCOME THROUGH FARMER PRODUCER ORGANIZATIONS (FPOs) IN MADHYA PRADESH: STATUS AND ROADMAP

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ABSTRACT

In India, Agriculture and its allied sectors is the largest source of livelihoods. Around 70% of the rural population derive their livelihood from agricultural activities, where small and marginal farmers constitute around 85% of the total land holdings in India. The major concern here is that the average size of land holding in the country is less than one hectare and it is further shrinking. Biggest drawback of this shrinking land holding is that it prevents scale of production. Farmers alone neither can afford to invest in farm mechanization /technology for enhancing farm productivity, nor directly access the buyers. Hence, they face some challenges both in production and post production stages like access to production technology, quality inputs at reasonable price, credit, seed production, value addition, processing, investment, frequent crop failures, lack of assured market, income safety and poorly developed supply chain etc. Due to this they are highly dependent on the exploitative intermediaries and local money lenders.

Keywords: FPOs, Agricultural Activities, Supply Chain, Money Lenders, Small and Marginal Farmers.

Introduction

Organizations such as Farmers Producers Organizations (FPOs) play a critical role in making the production cost effective and enhancing farmers' income. In past, there were several institutional models introduced in India to integrate farmers with production and value chain but FPO has proven to be the most effective pathway to address various challenges in agriculture. It has played a major role in improving the access to investments, technology, inputs, credit, and markets. It helps farmers to enhance their skill and productivity.

Many FPOs have turned the COVID 19 lockdown period crisis into marketing business opportunity. 141 SFAC promoted FPOs spread across 11 States (Uttar Pradesh, West Bengal, Chhattisgarh, Maharashtra, Haryana, Sikkim, Andhra Pradesh, Telangana, Madhya Pradesh, and Karnataka) have carried out business worth Rs. 23.44 crore by trading 8818 MT of Fruits, Vegetables and other crops from 23rd March to 1st June, 2020. FPOs have complied with lockdown norms of social distancing and in turn supported small and marginal farmers to earn their income.

Objectives of the Study

- To examines the status of FPOs in India and Madhya Pradesh.
- To see the advantages of Food Producer Organizations (FPOs).
- To study the distribution of land holdings in Madhya Pradesh.
- To analyze the financial progress of FPO member farmers in M.P.
- To find Opportunities and challenges in the agricultural value chain.
- To make suggestions for the roadmap of sustainability of FPOs in M.P.

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Research Methodology

The purpose of this study is to identify the factors that sustain FPOs and make them successful. It is analytical in nature and based on secondary sources of information that are collected from various research papers, reports submitted by various agencies, government data sources like NSSO, NABARD, SAFC, SLBC, etc. and authentic websites of Madhya Pradesh and Central Govt.

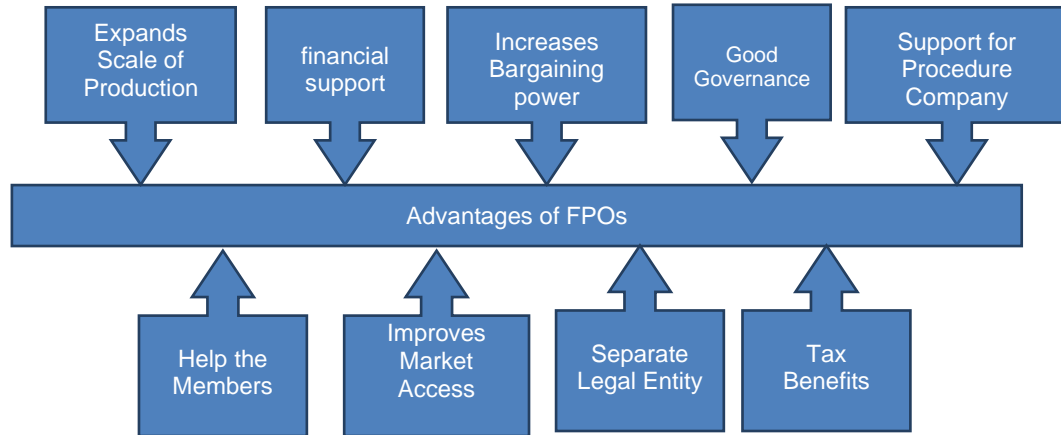


Fig.1: Advantages of Food Producer Organizations (FPOs)

Concept and Present Scenario of FPOs in India

Around 15-20 farmers cultivating similar crops in a village come together to form a group. When several such groups are combined it forms a FPO through which the members start working together throughout the production phase till the end of the marketing stage. FPO not only gives bargaining power to the participating farmers, but it also brings down various agricultural costs pertaining to procurement of seeds, fertilizers, warehouses, transport, etc. FPOs have also made it easier for farmers to register and sell their produce via e-NAM (National Agricultural Market) mandi platform.

Cluster Based Business Organization (CBBOs) constructed by NSSO provide support to FPOs by training them in areas like processing, packaging, credit linkage, marketing online bazaar, and provides various other facilities. Under this scheme, subsidy up to Rs. 15 lakhs is provided to the FPOs and loan up to Rs. 2 crores without any security. For administration of the FPOs, they are provided up to Rs. 18 lakhs financial support.

The definition of FPO is - Producers Organization as a legal entity formed by primary producers like farmers, milk producers, fishermen, weavers, rural artisans and craftsmen, as it was introduced in the early 2000. The ownership control always remains with the members and management is through the representatives of the members. Provisions were made in Part IXA of Companies Act 1956 in year 2003 for Producers group to register and create Farmers Producer Company. The Union Finance Minister, in the Budget Speech for 2013-14, announced two major initiatives to support Farmer Producer Companies (FPCs) viz., support to the equity base of FPCs by providing matching equity grants and Credit Guarantee support for facilitating collateral free lending to FPCs.

FPOs comprise around 70 to 80% of small and marginal farmers and hence they are known as Farmers' Collectives. Currently, around 5000 FPOs (including FPCs) exist in the country, which were formed under various initiatives of the Govt. of India including Small Farmers Agri Business Consortium (SFAC), National Bank for Agriculture and Rural Development (NABARD), National Rural Livelihood Mission (NRLM), State Governments, and other Organisations, Trust, Foundations like - Bill & Melinda Gates Foundation, TATA Trust, Reliance Foundation, Ambuja Cement Foundation, HDFC Foundation, C&A Foundation, HSBC CSR, Axis Bank Foundation, Jindal Steel &Power Ltd. and Syngenta foundation etc.

Various research have showed that around 50% of these FPCs are still in the phase of mobilization, equity collection, business planning and other management related developmental stages. Only 30% of these are currently operating viably and around 20% are still struggling to survive. This is quite comparable to the success rate of new enterprise start-ups in the industrial and processing sector in India.

The Cabinet Committee on Economic Affairs headed by the honorable Prime Minister in its meeting held on 19th February 2020 has approved creation of 10,000 more FPOs in the country with a total budgetary provision of Rs. 4496.00 crore for five years (2019-20 to 2023-24) with a further committed liability of Rs. 2369.00 crore for period from 2024-25 to 2027-28 towards handholding of each FPO for five years from its aggregation and formation. Around 1130 new FPOs are going to establish in M.P. Under "Formation and Promotion of Farmer Producer Organizations" scheme.

It is also announced that FPOs will be developed by specialist Cluster Based Business Organizations (CBBOs) engaged by implementing agencies. Around 2200 clusters have been allocated for formation of FPOs for the Financial Year 2020-21.

Implementing agencies like SFAC, NABARD, National Cooperative Development Corporation (NCDC), National Agricultural Cooperative Marketing Federation of India Limited (NAFED), Ministry of Rural Development (MoRD), SFAC- Haryana, SFAC – Tamil Nadu and NorthEastern Regional Agricultural Marketing Cooperation Ltd. - Department of Development of Northeastern Region (NERAMAC- DONER) were assigned with the responsibility of FPO formation. All implementing agencies will set up Cluster Based Business Organizations (CBBOs) at the State/Cluster level to form and promote FPO under the scheme. About 2200 clusters have been allocated for formation of FPOs to various implementing agencies for the Financial Year 2020-21 which includes specialized FPOs like Oilseeds, Organic produce, Honey etc.



Fig. 2: Implementing agencies for FPO Formation

The Status of FPOs in Madhya Pradesh

It is the first state to have organized farmer producer organizations under the District Poverty Initiative Programme (DPIP) implemented during 2002-11 with support from the World Bank. Formation of FPOs achieved a great momentum with the active intervention of the Small Farmers Agri Business Consortium (SFAC), Ministry of Agriculture. An umbrella organization of FPOs in Madhya Pradesh is Madhya Bharat Consortium of Farmer Producers company limited (MBCFPCL). It is a state level conglomerate of farmer Producer company (FPC). Established in September, 2014, MBCFPCL is a profit organization and registered under Companies Act (Producer Company under section 581A in Part IXA of the Company Act 1956, as referred to under section 456 of the companies Act, 2013).

The MBCFPCL has 557 regulated markets, of which 259 are wholesale Market (Krishi Upaj Mandis), and 298 Sub Mandis. It aims to incorporate 10 lakh small and marginal farmers under its FPOs by 2025. The Madhya Pradesh State Agricultural Marketing Board is coordinating the implementation of Electronic Portal of National Agriculture Market (e- NAM). 80 Mandis are live on e-NAM in the State. As per Agriculture statistics briefly of MoA and GoI, Madhya Pradesh holds the first rank in production of pulses (32% of national share), & oilseeds (22% of national share) and second position in production of food grains (12% national share).

Table 1: Number of FPOs Promoted by SFAC in India in 2021-22

S. No.	States	No. of FPOs	S. No.	States	No. of FPOs
1	Andhra Pradesh	16	16	Manipur	8
2	Arunachal Pradesh	6	17	Meghalaya	3
3	Assam	18	18	Mizoram	1
4	Bihar	38	19	Nagaland	2
5	Chhattisgarh	26	20	Odisha	41
6	Delhi	4	21	Punjab	7
7	Goa	2	22	Rajasthan	50
8	Gujarat	25	23	Sikkim	30
9	Haryana	23	24	Tamil Nadu	13
10	Himachal Pradesh	8	25	Telangana	26
11	Jammu & Kashmir	2	26	Tripura	7
12	Jharkhand	10	27	Uttar Pradesh	57
13	Karnataka	125	28	Uttarakhand	7
14	Madhya Pradesh	149	29	West Bengal	89
15	Maharashtra	105	Total		898

Source- <http://sfacindia.com/List-of-FPO-Statewise.aspx>

Table 1 shows that Madhya Pradesh has been very successful in advancing FPOs and has the highest number of SFCA promoted FPOs at 149 which is followed by Karnataka and Maharashtra with 125 and 105 FPOs respectively. Mizoram, Nagaland, Goa, and Jammu and Kashmir have the least number of FPOs.

Table 2: Districts Wise Promotion of FPOs by NABARD in India in 2021-22

State	No. of Districts	No. of FPOs	No. of Shareholders
Andaman and Nicobar	2	3	307
Andhra Pradesh	13	95	48788
Arunachal Pradesh	5	8	1813
Assam	17	40	14667
Bihar	33	118	51169
Chhattisgarh	15	57	24827
Goa	1	2	104
Gujarat	22	117	44980
Haryana	18	50	27750
Himachal Pradesh	9	51	11190
Jammu and Kashmir	10	13	1787
Jharkhand	20	60	31220
Karnataka	30	159	85334
Kerala	14	103	49509
Lakshadweep	1	2	20
Madhya Pradesh	36	160	71900
Maharashtra	22	119	40401
Manipur	4	5	1989
Meghalaya	7	11	1785
Mizoram	6	15	3016
Odisha	28	100	58236
Punjab	19	67	8639
Rajasthan	28	143	58506
Sikkim	1	4	856
Tamil Nadu	32	170	129404
Telangana	25	74	27099
Tripura	1	1	210
Uttar Pradesh	43	116	51913
Uttarakhand	13	50	19141
West Bengal	18	150	81703
Total	493	2063	948263

Source- <https://nabfpo.in/images/staticFPO.html>

NABARD has been playing an important role in enhancing and supporting the agriculture sector in India. In this direction, NABARD has taken up a new initiative to promote FPOs which would help in increasing farmers income. As per Table 2, in Tamil Nadu, 129404 farmers have benefited from NABARD promoted 170 FPOs (highest among all the states). The overall performance of FPO performance by NABARD has been very successful in comparison to SFAC promoted FPOs. Tamil Nadu is followed by Madhya Pradesh with 160 FPOs aiding 71900 farmers. Although, the coverage among the districts in each state is not satisfactory.

Table 3: Number of FPOs with Major Crops in Madhya Pradesh in 2021-22

S. No.	Districts	No. of FPOs	Legal form of FPOs	Major Crops
1	Sagar	2	Producer Company	Gram, soyabean, wheat
2	Mandsaur	4	Producer Company	Gram, soyabean, wheat
3	Satna	3	Producer Company	Gram, wheat
4	Rewa	3	Producer Company	Gram, wheat, pulse, paddy, veg.
5	Shivpuri	3	Producer Company	Gram, soyabean, wheat, tur
6	Rajgarah	4	Producer Company	Maize, wheat, gram, coriander
7	Raisen	3	Producer Company	Gram, soyabean, wheat, lentil
8	Vidisha	4	Producer Company	Gram, soyabean, wheat, lentil
9	Narsinghpur	2	Producer Company	Paddy, wheat, gram, moong
10	Dindori	5	Producer Company	Paddy, wheat, gram, kodo, kutki
11	Mandla	1	Producer Company	Paddy, wheat, gram, kodo, kutki
12	Ratlam	4	Producer Company	Soya, wheat, gram, onion, tomato
13	Sehore	4	Producer Company	Lentil, onion, garlic, wheat, gram
14	Naagda	1	Producer Company	Lentil, onion, garlic, wheat, gram
15	Chhatarpur	5	Producer Company	Moong, urad, tur, peanut, pea, wheat, gram
16	Damoh	4	Producer Company	Pea, gram, lentil
17	Dhar	4	Producer Company	Soya, gram, wheat
18	Panna	4	Producer Company	Pea, lentil, soya, wheat
19	Tikamgarah	3	Producer Company	Lentil, wheat, gram
20	Jabalpur	2	Co-operative society	Paddy, wheat
21	Ujjain	3	Producer Company	Potato, wheat, soya
22	Agarmalwa	1	Producer Company	Soya, wheat, gram
23	Katni	3	Co-operative society	Paddy, wheat
24	Devas	3	Producer Company	Wheat, soya, gram
25	Bhopal	1	Producer Company	Garlic, onion, brinjal, guard, cabbage....
26	Hoshangabad	7	Producer Company	Wheat, gram, moong, soya
27	Harda	5	Producer Company	Wheat, gram, urad, soya
28	Anuppur	3	Producer Company	Maize, paddy, kodo-kutki
29	Shahdol	4	Producer Company	Maize, paddy, kodo-kutki
30	Umariya	3	Producer Company	Maize, paddy, kodo-kutki
31	Badwani	6	Producer Company	Soya, wheat, bajra, moong
32	Jhabua	2	Producer Company	Maize, wheat, soya, gram
33	Alirajpur	1	Producer Company	Maize, wheat, soya, gram
34	Chhindwada	2	Producer Company	Cotton, wheat, soya, gram
35	Sidhi	3	Producer Company	Pulses, cotton, spices
36	Seoni	2	Producer Company	Paddy
37	Betul	4	Producer Company	Paddy, maize
38	Datiya	2	Producer Company	Tur, wheat, gram
39	Singrouli	1	Producer Company	Paddy, maize, wheat
40	Sagar	3	Producer Company	Paddy, maize
41	Mandala	5	Producer Company	Mustard, paddy, tur
42	Balaghat	1	Producer Company	Paddy, maize, wheat
43	Morena	3	Producer Company	Mustard, wheat, bajara
44	Gwalior	1	Producer Company	Mustard, wheat, paddy
45	Bhind	2	Producer Company	Mustard, wheat, paddy
46	Sheopur	3	Producer Company	Bajra, til, wheat, mustard
47	Khargone	2	Producer Company	Paddy, maize, wheat
48	Guna	1	Producer Company	Wheat, gram, moong, soya

49	Ashoknagar	1	Producer Company	Wheat, gram, moong, tur
50	Chachoda	1	Producer Company	Wheat, gram, moong, soya
51	Neemach	1	Producer Company	Soya, spices
52	Indore	2	Producer Company	Potato, soya
53	Khandwa	2	Producer Company	Wheat, gram, moong, soya
54	Burhanpur	1	Producer Company	Paddy, maize, wheat
55	Shajapur	1	Producer Company	Wheat, soya, gram
Total		149		

Source- <https://nabfpo.in/images/staticFPO.html>

Table 3 shows the status of FPOs in all districts of Madhya Pradesh. The best performer districts having the highest number of FPOs and farmers are Hoshangabad, Badwani, Mandala, Dindori, Chhatarpur etc. The farmers who are the members of FPOs mainly produce wheat, mustered, paddy, gram, soya and vegetables.

Table 4: Land Utilization in Madhya Pradesh

S. No	Specifics	Area (lakh Hectare)
1	Geographical Area	307.56
2	Gross Cropped Area	261.15
3	Percentage of Gross Cropped Area to total area	84.91
4	Percentage of Small & Marginal farmers to total farmers	75.56
5	Average land holdings	1.57

Source: Agriculture Census 2015-16

Table 5: Distribution of Land Holdings in Madhya Pradesh

Particulars	Number of Holdings (lakh)	Percentage to Total Number of Holdings
Marginal (Below 1.0 ha)	48.35	48.33
Small (1.0 ha to 2.0 ha)	27.25	27.24
Small & Marginal	75.60	75.56
Semi Medium (2.0 ha to 4.0 ha)	16.74	16.73
Medium (4.0 ha to 10.0 ha)	7.07	7.07
Large (above 10.0 ha)	0.63	0.63
Total	100.04	100.00

Source: Agriculture Census 2015-16

Fig. 3: Percentage to Total Number of Holdings

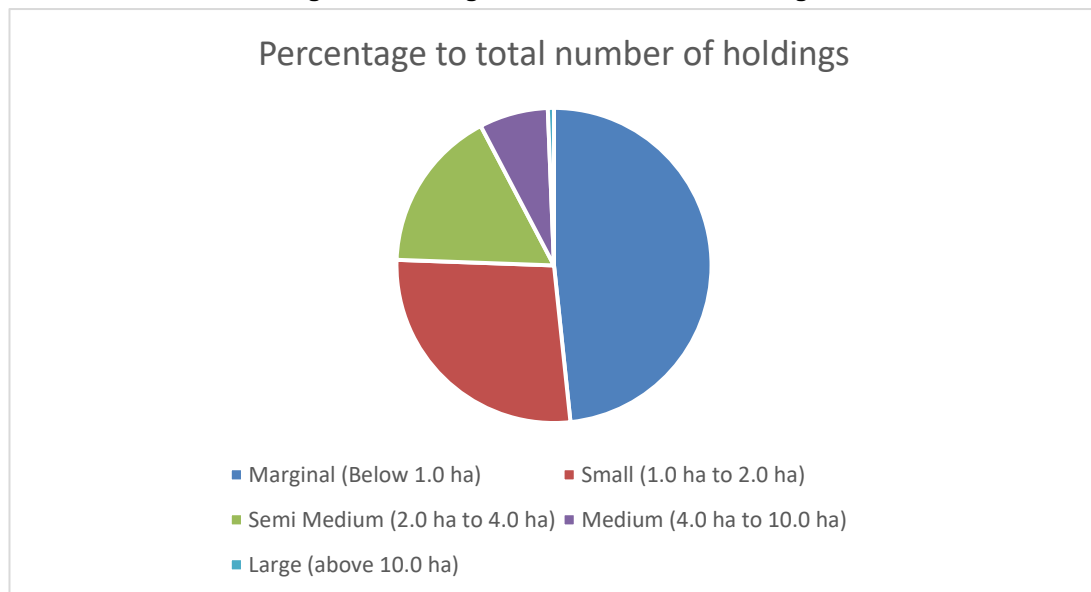


Table 4 and 5 show the structure of cultivated land and holdings in the state. Small and marginal farmers have 75 percentage of land holdings who have less than one hectare land for cultivation. They have no sufficient resources for agriculture as well as selling their produce. In this scenario FPOs are benefiting small and marginal farmers through bulk input procurement and distribution, aggregation and marketing of output, agro processing, and by helping their members take high paying activities like fruits and vegetable production, dairying, organic farming, seed production and marketing, and other allied activities.

Financial Progress of FPOs in Madhya Pradesh

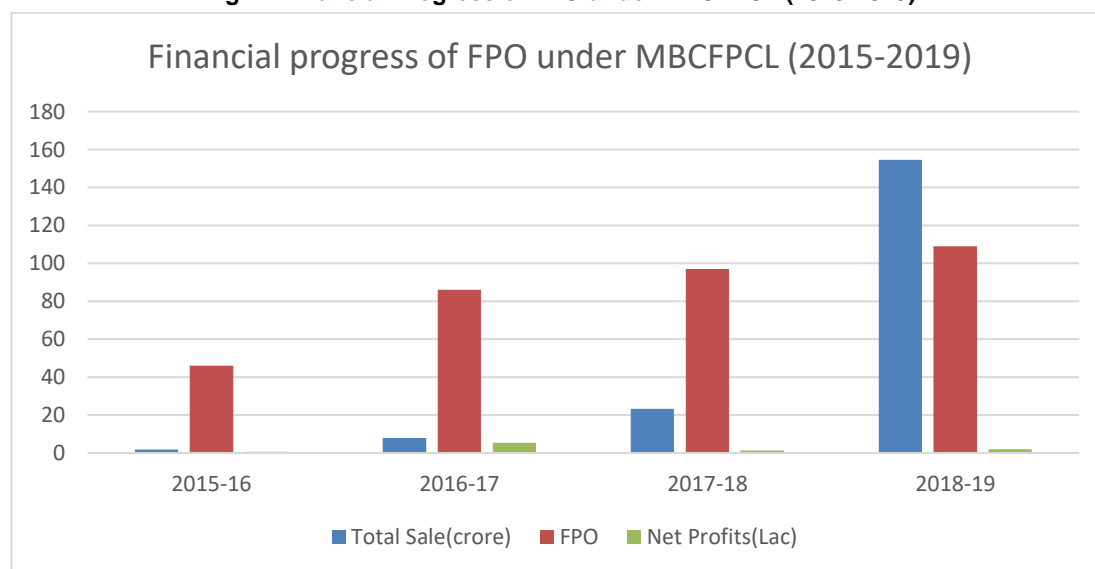
Madhya Bharat Consortium of Farmer Producers company limited (MBCFPCL) is a state level profit organization of FPOs in Madhya Pradesh. It was established in September,2014 and it has 557 regulated markets with 259 Krishi Upaj Mandi and 298 Sub Mandies. MBCFPCL helps and enhances the farmers' income in Madhya Pradesh.

Table 6: Financial progress of FPOs in M.P. under MBCFPCL (2015-16 to 2018-19)

Years	Total Sale (crore)	FPO	Net Profit (Lac)
2015-16	1.92	46	.71
2016-17	7.93	86	5.35
2017-18	23.26	97	1.35
2018-19	154.55	109	1.93

<https://mbcfpcl.org/upload/document/report.pdf>

Fig. 4: Financial Progress of FPO under MBCFPCL (2015-2019)



It is clear from Table 4 that around 75 percent of gross cropped area is used by marginal and small farmers for agriculture in Madhya Pradesh. As per table 5, the structure of landholding in Madhya Pradesh is dominated by small and marginal farmers. On the other hand, these farmers do not have proper access to agricultural resources, modern machinery, warehouse, transportation, and marketing facilities. Thus, FPO is very beneficial for such farmers and will help increase their yield as well as their income. Financial progress of FPO from 2015-2019 is shown in Table 6 which shows that there is a constant increase in the number of FPO under MBCFPCL from 46 in 2015-16 to 109 in 2018-19 with a 7,949% increase in total sale in this period and a 171.8 % increase in net profits.

Conclusion and Roadmap

FPOs' major contribution in the agricultural sector is that it helps in realizing the benefits of scale of production by increasing bargaining power, enhancing accessibility to markets and services, and promoting specialization and cooperation among members. With this study, we can say that FPOs are very promising in taking over the future food retails not only in India but worldwide. In recent years, they have already proved themselves to be an important institutional mechanism for aggregation and improving economy of small holders.

Every farmer initially hesitates to join FPOs but, they get encouraged by looking at a successfully running FPO. More number of farmers were willing to join FPO in places where community mobilization already exists. It has also been observed that the majority of loans accessible to FPOs come from NBFCs which have higher interest rates. Thus, although the turnover of an FPO may be higher, but their net profits are not satisfactory. Further, for the promotion of FPOs, the dependency on the Central government funds is higher which should be shifted towards state funds for better implementation.

As likely as they have enough potential to help small and medium farmers of the country, and yet they do have certain limitations related to finance and managerial skills like negotiation and leadership. Hence, it is extremely important to take necessary steps to overcome both the issues respectively. As a vital move, the Board of Directors of FPOs should also be trained in how to prepare a business plan. Premier institutes should involve themselves more and more with FPOs so that they can help them in networking the business.

Maximum use of technology and scale will minimize the cost of production. The most proficient FPC can compete with other companies and rivals by focusing on the market first and producing quality products at lowest cost. This is indispensable for an effective and viable profit making. Equally important is a powerful marketing strategy for a strong branding and advertising of the product to create a dominance in the market. Special rural agribusiness management courses can be started in agricultural universities which would prepare a talent pool of students fully equipped to support FPO in various positions.

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