

## **TOWARDS ECOSYSTEM SUPPORT FOR STRENGTHENING FARMER PRODUCER ORGANISATIONS**



*Farmer Producer Organisations (FPOs) need support not only at the FPO level, but also at the promotion and ecosystem level. In this blog, Anesha Bali reflects on the challenges FPOs face and the role of the National Association for Farmer Producer Organizations (NAFPO) in addressing some of these challenges.*

### **CONTEXT**

Unlocking the potential of smallholder farmers, who constitute more than 85% of all farmers in India, is one of the primary national goals for farmer welfare. This is the pivot on which Farmer Producer Organizations (FPOs) function as a vehicle to augment farmer income. So far, many farmers have come together to form more than 10,000 FPOs, and another 10,000 are on the horizon for promotion in the upcoming years. State level federations organised in Gujarat, Madhya Pradesh and Maharashtra have yielded encouraging results – particularly in organising seed production, establishing linkages with processors, and initiating procurement at Minimum Support Price (MSP). In recent years, FPOs have moved beyond just providing farmers with inputs and have started to add value through aggregation and primary processing before sale of commodities. There have been multiple case studies where FPOs are the focal point of supply-chains in agribusinesses, some have also used their network and partnered to set up procurement centres with corporates as well.



## STRENGTHENING FPOS

Although aggregating raw produce at a cluster with several hundred or even a few thousand farmers seems to be a necessity, it is not enough to deal with market players. More often than not, local level intermediaries are replaced with regional/state level intermediaries, with more or less unsatisfactory outcomes in terms of price realization and terms of trade. The ability to influence this value chain in a significant manner remains far-fetched for the majority of FPOs. FPOs currently face some of these major challenges:

- 1. Access to finance/working capital** - The Government of India through Public Sector Banks (PSB) has made available several schemes/mechanisms for FPOs to avail credit. However, banks and finance institutions inherently lack trust in FPOs because of which banks impose stringent conditions for FPOs to avail credit. FPOs are left to borrow from Non-Banking Financial Companies (NBFCs) at a higher interest rate that further hurts the profitability of FPOs. This situation thrusts FPOs into a vortex of high interest rate debts, thus making it harder for FPOs to turn profitable and avail further credit.
- 2. Access to market linkage** - In the absence of proper linkages and hand holding, FPOs are exposed to substantial market-based risks. Organized players and institutional buyers have been hesitant to engage with FPOs as the required quality, quantity and other terms and conditions which a network of market players in the *mandi* offers, is unable to be met by an FPO. This is primarily due to the lack of sorting & grading, storage and transport facilities at the FPO level, which puts farmers and FPOs at great inconvenience and price risks.
- 3. Access to professional human resources for management support and technology adoption** - Talent constraints have a ripple effect on the operability of FPOs as the talent they can usually afford do not have the expertise to access credit facilities, lack awareness of government schemes, have poor statutory compliances/bookkeeping ability, lack managerial skills required in mobilising farmers and developing access to markets. This generally jeopardises the FPO business model and sets FPOs up for failure rather than success.



There is an increasing awareness and collective agreement on the need for ecosystem support for promoting robust FPOs to achieve scale and sustainability.

FPOs have been given a major task and are expected to take up many responsibilities on their weak shoulders. So, they need support at several levels. These include:

1. **FPO level** - Facilitation of support to enable access to working capital, markets, professional human resource, infrastructure, and technology in a timely manner;
2. **Promotion level** - Facilitation to support FPOs in building governance standards, awareness of schemes, and overall management; and
3. **Ecosystem level** - Facilitation in integrating services on one platform, policy advocacy and knowledge exchange.

The National Association for Farmer Producer Organisations (NAFPO) was thus formed in August, 2017, to create an enabling ecosystem for FPOs (Box 1).

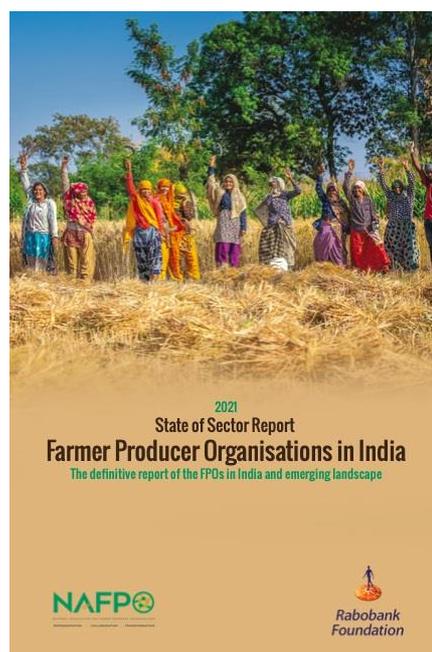
#### **Box 1: National Association for Farmer Producer Organizations (NAFPO)**

NAFPO (<https://www.nafpo.in/>) is a stakeholder-driven institutional consolidation of FPO mobilization efforts and works towards creating a support structure for FPOs to identify a pathway towards scale and sustainability. The main objective is to facilitate FPOs to function as collectives, promote the interest of their members while addressing larger challenges such as sustainable agriculture for livelihoods, resource conservation and regeneration, and to promote an equitable and inclusive model of rural economic growth.

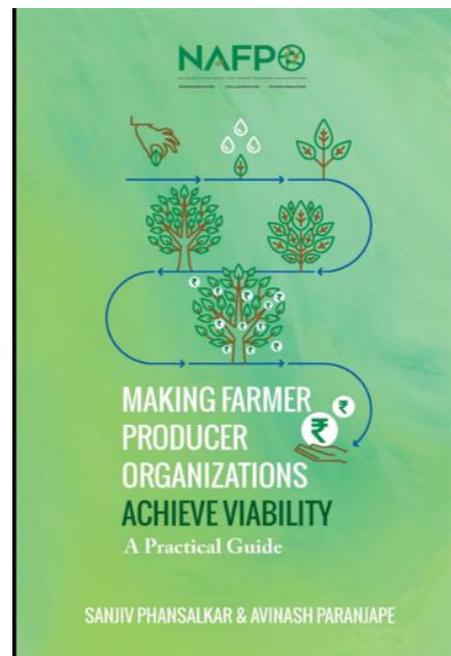


### **STRENGTHENING THE FPO ECOSYSTEM: THE 4 PILLARS OF NAFPO WORK**

1. **Integrating services** - Numerous scattered efforts do exist to address challenges and gaps for promoting FPOs, however, there are very few for stabilizing business and supporting growth. The initiative to integrate services, such as business incubation, statutory compliance support, linkages with financial institutions and buyers on one platform, has been well-received.
2. **Digital ecosystem for FPOs** - With growing interest in the FPO model and the benefits that can be transferred to farmers, a lot of organizations have invested in supporting FPOs. The network of stakeholders - external and internal - is becoming more fluid with transitory structures based on alliances, partnerships, and collaborations. There is a need to develop a digital infrastructure that will benefit FPOs by dynamically aggregating services, exchanging knowledge, finding partnerships, and boosting innovation. The following initiatives have been taken to create such an ecosystem.



- **Database consolidation** - In a drive to bring awareness of the massive opportunity that FPOs demonstrate in transforming agriculture, NAFPO has consolidated a database of 9100+ registered Farmer Producer Companies across the country, out of which 8500+ are in active status. We have touched base and updated information of 1000+ FPOs with data on major commodities grown, area covered, contact details and business activities, which may be used for market linkage. The intention is to get a landscape overview of the FPOs across India.
- **Online HR marketplace** - This finder portal ([www.hr.nafpo.in](http://www.hr.nafpo.in)) aims to solve the issue of access to, and availability of, talent and professional support which is critical in enabling FPOs/Agribusinesses to achieve self-reliance and sustainability. The FPO HR marketplace brings recruiters and job seekers onto a single platform to ensure easy access to a variety of talents and opportunities for both Agribusinesses and professionals.
- **E- Learning Management System** - With the growing number of FPOs in the country, there is a felt need for a Learning Management System for FPOs to reach their potential to becoming viable business entities. In response, a comprehensive digital Learning Management System (<https://play.google.com/store/apps/details?id=com.dhwaniris.nafpo>) was developed to help FPOs by dynamically aggregating quality learning material, that can enhance their capabilities and augment farmers' income. The goal is for everyone in the FPO ecosystem to have access to quality learning material. The tool is being used and referred to by Cluster Based Business Organisations (CBBOs) selected for the promotion of ten thousand FPOs.
- **Capacity building** - While training and capacity building for FPO staff, Directors and CBBO/promoting organization has been echoed by many and is evident, a similar focus for industry and private sector is also needed. Therefore, in order to enable collaborations between private enterprises and collectives to develop mutually profitable business models, sectoral capacity building of private sector to promote perspectives among those who promote the FPOs is also organised.
- **Independent Director Initiative** - NAFPO will empanel Independent Directors who will play a critical role in improving governance within FPCs/FPOs, and add to the credibility of the institution. This will have a direct impact on the management, availability of credit/finance to FPOs, and market access and linkages.
- **Knowledge exchange** - NAFPO has taken the initiative to develop a comprehensive State of FPOs (SoFPO) Report to document best practices, successful case studies, and to integrate government schemes and policies that could benefit FPOs in creating a robust ecosystem to support FPOs to reach their potential. This can contribute towards overall farmer welfare. Along with this, NAFPO has published another book, *Making farmer producer organisations achieve viability: A practical guide*, authored by Prof. Sanjiv Phansalkar and Prof. Avinash Paranjape.



3. **Policy advocacy** - NAFPO organizes multiple surveys, webinars, and consultations to represent the voice of FPOs. The recommendations made during these events are followed up and shared with authorities such as Niti Aayog, NABARD, SFAC, state governments and several ministries. The focus of the recent national and regional discussions was on the AtmaNirbhar Bharat Package, agriculture reforms, and marketing opportunities. NAFPO has also secured a place on the Advisory Committee of both NABARD and SFAC.

4. **Partnerships** - To leverage the network developed by NAFPO, multiple partnerships have been established to facilitate linkages to provide ecosystem support to FPOs. These partnerships cater to challenges faced by FPOs such as access to finance, professional human resource, governance standards, compliance support, technology transfer, customised products like insurance, price risk management and business development support.



## LESSONS SO FAR

The key lessons learnt so far include the following:

- The business logic for farmers to come together as a Farmer Producer Company is the most essential ingredient for success;
- Leadership at the FPO plays a key role in determining factors for achieving scale, sustainability and growth of the FPO. Usually, professional human resource from the local area adds value in terms of longevity of their work with the FPO;
- Even though there are multiple schemes and support available for the smallholder farmer and FPO, there is a gap in accessing those resources and opportunities due to lack of skilled human resource support. Therefore, investing in capacity building is of prime importance for the FPO;
- Considering that an FPO is a start-up, it is inevitable that some FPOs will fail and some will succeed;
- Participation of women in decision making and market related activities is too low (Box 2).

### **Box 2: Gender Equitable Transformation of FPOs**

Even though the role of women is significant in agriculture and allied activities, their representation in policy making has remained inconspicuous. In the Operating Guidelines for promotion of 10,000 FPOs also, there has only been a token representation of women. They lack access to information, resources, land, extension services, credit, technology and local institutions compared to men, further restricting their agency and thus impacting the overall economy through productivity losses and reduced workforce participation. Due to these factors, their participation in decision making and market-related activities are low. There is a need to promote 'women only' FPOs to ensure better participation of women, enhance access to resources and services, and sustain better income.

## CONCLUSION

With the number of FPOs already promoted, it is important to learn from the mistakes made in the previous decade to develop a new clique of FPOs. While we continue to support the emergence of these organisations, new institutional innovations are required in the search for sustained market access for farmers.

Dynamic new markets, far-reaching technological and institutional innovations, and rising aspirations of farming families characterize the fast-changing agricultural landscape. More investments, partnerships and collaborations with private sector companies and continued exchange of aggregated knowledge is paramount.

There is also a need to acknowledge the role of organisations that provide comprehensive support. The newly appointed Cluster Based Business Organisations (CBBOs) have the technical expertise but need support and direction for promoting FPOs. This would help in creating a robust support ecosystem for FPOs enabling them to reach their potential, and thus contributing to farmer welfare.

*Aneesha Bali is Project Coordinator, National Association for Farmer Producer Organisations (NAFPO), New Delhi, India ([aneesha@nafpo.in](mailto:aneesha@nafpo.in)).*