

Formation and promotion of 10,000 Farmer Produce Organizations (FPOs)

November 28, 2020

In news

Government plans to set up 10,000 FPOs in five years period from 2019-20 to 2023-24 to ensure economies of scale for farmers.

Aims and objectives of FPOs

- To provide holistic and broad based supportive ecosystem to form new 10,000 FPOs to facilitate development of vibrant and sustainable income oriented farming
- To enhance productivity through efficient, cost-effective and sustainable resource use and realize higher returns through better liquidity and market linkages for their produce and become sustainable through collective action.
- To provide handholding and support to new FPOs up to 5 years from the year of creation in all aspects of management of FPO, inputs, production, processing and value addition, market linkages, credit linkages and use of technology etc
- To provide effective capacity building to FPOs to develop agriculture entrepreneurship skills to become economically viable and self-sustaining beyond the period of support from government.

What is FPO?

FPO is a generic name, which means and includes farmer-producers' organization incorporated/ registered either under Part IXA of Companies Act or under Co-operative Societies Act

of the concerned States and formed for the purpose of leveraging collectives through economies of scale in production and marketing of agricultural and allied sectors.

Brief of the Scheme:

- A new Central Sector Scheme titled “Formation and Promotion of Farmer Producer Organizations (FPOs)” to form and promote 10,000 new FPOs 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.
- **Implementing Agencies:** Initially there will be three implementing Agencies to form and promote FPOs, namely
 - Small Farmers Agri-business Consortium (SFAC)
 - National Cooperative Development Corporation (NCDC) and
 - National Bank for Agriculture and Rural Development (NABARD).
- States may also, if so desire, nominate their Implementing Agency in consultation with DAC&FW.
- DAC&FW will allocate Cluster/States to Implementing Agencies which in turn will form the Cluster Based Business Organization in the States.
- **FPOs will be formed and promoted through Cluster Based Business Organizations (CBBOs) engaged at the State/Cluster level by implementing agencies.**
- **The CBBOs will have five categories of specialists from the domain** of Crop husbandry, Agri marketing / Value addition and processing, Social mobilisation, Law & Accounts and IT/MIS. These CBBOs will be platform for an end to end knowledge for all issues in FPO promotion.
- There will be a **National Project Management Agency (NPMA) at Small farmers Agri-business Consortium(SFAC) for providing overall project guidance**, data compilation

and maintenance through integrated portal and Information management and monitoring.

- Initially the **minimum number of members in FPO will be** 300 in plain area and 100 in North East & hilly areas. However, DAC&FW may revise the minimum number of membership based on experience/need with approval of Union Agriculture Minister.
- **Priority will be given for formation of FPOs in aspirational districts in the country** with at least one FPO in each block of aspirational districts.
- **FPOs will be promoted under “One District One Product”** cluster to promote specialization and better processing, marketing, branding & export by FPOs.
- There will be a provision of **Equity Grant for strengthening the equity base of FPOs.**
- There will be a **Credit Guarantee Fund of up to Rs. 1,000.00 crore in NABARD** with equal contribution by DAC&FW and NABARD and Credit Guarantee Fund of Rs.500.00 crore in NCDC with equal contribution by DAC&FW and NCDC for providing suitable credit guarantee cover to accelerate flow of institutional credit to FPOs by minimizing the risk of financial institutions for granting loan to FPOs.
- **States/UTs will be allowed to avail loan at prescribed concessional rate of interest under Agri-Market Infrastructure Fund (AMIF)** approved for set up in NABARD for developing agriculture marketing and allied infrastructure in Grams, by making marketing & allied infrastructure including Common Facilitation Centre / Custom Hiring Centre for FPOs as eligible category for providing assistance to States / UTs.
- Adequate training and handholding will be provided to FPOs. CBBOs will provide initial training.
- Professional training of CEO / Board of Directors / Accountant of FPOs will be provided in organizational training, resource planning, Accounting / management, marketing, processing etc in reputed National / Regional

training Institutes.

Broad Services and Activities to be undertaken by FPOs

The FPOs may provide and undertake following relevant major services and activities for their development as may be necessary:

- Supply quality production inputs like seed, fertilizer, pesticides and such other inputs at reasonably lower wholesale rates.
- Make available need based production and post-production machinery and equipment like cultivator, tiller, sprinkler set, combine harvester and such other machinery and equipment on custom hiring basis for members to reduce the per 2 unit production cost.
- Make available value addition like cleaning, assaying, sorting, grading, packing and also farm level processing facilities at user charge basis on reasonably cheaper rate. Storage and transportation facilities may also be made available.
- Undertake higher income generating activities like seed production, bee keeping, mushroom cultivation etc.
- Undertake aggregation of smaller lots of farmer-members' produce; add value to make them more marketable.
- Facilitate market information about the produce for judicious decision in production and marketing.
- Facilitate logistics services such as storage, transportation, loading/un-loading etc. on shared cost basis.
- Market the aggregated produce with better negotiation strength to the buyers and in the marketing channels offering better and remunerative prices

Background

- **The report of 'Doubling of Farmers Income (DFI)' has emphasized this fact and recommended formation of 7,000**

FPOs by 2022 towards convergence of efforts for doubling the farmers' income.

- In the Union Budget 2019-20, Government has announced creation of 10,000 new FPOs to ensure economies of scale for farmers over the next five years, for which a dedicated supporting and holistic scheme as Central Sector Scheme is proposed for targeted development of FPOs and its sustainability.