

# Formation and Promotion of Farmer Producer Organizations (FPOs)

February 28, 2020

**Source:** *PIB*

The Cabinet Committee on Economic Affairs has given its approval for 10,000 FPOs to be formed in five years period from 2019-20 to 2023-24 to ensure economies of scale for farmers. Support for each FPO is continued for 5 years from its year of inception.

## Background

The report of 'Doubling of Farmer's Income (DFI)' has emphasized this fact and recommended the 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 the 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.

## About FPOs

- **Budgetary support:** A new Central Sector Scheme titled "Formation and Promotion of Farmer Produce 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 the period from 2024-25 to 2027-28 towards the 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
1. Small Farmers Agri-business Consortium (SFAC)
  2. National Cooperative Development Corporation (NCDC) and
  3. National Bank for Agriculture and Rural Development (NABARD).
  4. 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
    1. The domain of Crop husbandry
    2. Agri marketing / Value addition and processing
    3. Social mobilization
    4. Law & Accounts and
    5. IT/MIS. These
  - **CBBOs will be a platform for an end to end knowledge for all issues in FPO promotion.**
  - **Support by National Project Management Agency (NPMA):** There will be a National Project Management Agency (NPMA) at SFAC for providing overall project guidance, data compilation, and maintenance through integrated portal and Information management and monitoring.
  - **Members of FPO:** 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 the Union Agriculture Minister.
  - **Priority for aspirational districts:** Priority will be given for the 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.
- **Credit Guarantee Fund:** 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.
- **Loan:** 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.
- **Training to FPOs:** 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.

**Benefits:** Through formation of FPOs, farmers will have better collective strength for better access to quality input, technology, credit and better marketing access through economies of scale for better realization of income.

### **What is a Farmer Produce Organization?**

It is one **type of Producer Organization (PO) where the members are farmers**.. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc

A **Producer Organisation (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen**. A PO can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members. In some forms like – producer companies, institutions of primary producers can also become a member of the PO.