

## Rise of “Farmer Producer Organisations”

### What is the issue?

\n\n

\n

- Farmer producer companies are growing by the day.

\n

- They can prove a vital interface between the farmers and markets and might help in reducing the dependence on MSP.

\n

\n\n

### Why FPCs?

\n\n

\n

- Effective price realisation has eluded India’s farmers for long, despite increasing production levels and massive outputs (275 million tonnes in 2017).

\n

- This indicates that the fault might lie not in our production output, but our market ecosystem, which is highly regulated.

\n

- The recent re-jig for doubling farmers’ income has thrown light on the importance of sound market institutions for agriculture.

\n

- **Institutionalisation** - In this context, Farmer Producer Companies (FPC), a relatively new institutional architecture is gaining traction.

\n

- These are institutions that are both farmer-led and farmer owned and is fast becoming an effective interface between farmers and markets.

\n

- Many FPCs have been created under the Companies Act of 2002, and this has led to the mobilisation of over 2 million farmers under the umbrella.

\n

- Presently, over 3,000 FPCs have been registered and are supported by agencies like NABARD, Small Farmers Agribusiness Consortium (SFAC).

\n

- Many other resource institutions also support the initiatives to organise farmers arrange themselves into this new co-operative order.

\n

\n\n

### What is the modus operandi of FPCs?

\n\n

\n

- The foremost requirement to set up a FPC is having a compelling business model, a process that is organically driven by local leadership from farmers.

\n

- FPCs are 'for-profit' enterprises fully owned by farmers, and they have successfully experimented with institutional and market led innovations.

\n

- They've also demonstrated a positive impact on price realisation, cost saving, and local employment and are of great support to small farmers.

\n

- Such institutions will help in facilitating farmers to own, greater parts of the agricultural value chain rather than just their farm produce.

\n

- These organisations are hence a crossover between market and a social function, and the collective is ultimately fairly independent of the state.

\n

- However, challenges in tackling forward markets and access to credit have been serious challenges for budding FPCs.

\n

- Nonetheless, many FPCs have been trading measurable quantities for hedging, which are contributing to 15-20% higher prices owing to lesser uncertainty.

\n

\n\n

### **What are the key structural aspects of FPCs?**

\n\n

\n

- Despite its effectiveness FPCs are not an alternative to APMC due to their limited reach and scale.

\n

- Clearly, these institutions demand a specific kind of incubation support that facilitates collective businesses.

\n

- The nature of state support for viable FPCs is being deliberated on multiple forum — access to capital, organisational governance, and technical training.

\n

- While support from public corpuses is enough for starting an FPC, their long-term competitiveness depends on their ability to raise capital from markets.

\n

- Provisions for limited shares (up to 24%) to private entities will give FPCs access to private capital without compromising on collective ownership.

\n

- Further, these firms can integrate into the post-harvest segments of the value chain, and gain favourable economies of scale.

\n

- While the start-up culture is presently an urban phenomenon, through FPCs start-ups will move rural and help the village level entrepreneurial landscape.

\n

\n\n

### **How does the future look?**

\n\n

\n

- FPCs as decentralised ventures can nucleate creation of new jobs at the intersection of agriculture and industry.

\n

- Such connectors for 'agro-industrialisation' counter the problem of local unemployment, at least in part.

\n

- Policy discourses around FPCs need to move away from being mere sub-sets of the existing Cooperative Societies and take up more comprehensive forms.

\n

\n\n

\n\n

**Source: Business Line**

\n

