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Think Farmer Prosperity, Think FPOs

India continues to be one of the world's leading agriculture producers. This has not elevated the living conditions of our farmers. They remain impoverished, debt ridden and marginalized.

One of the main reasons for this paradox is the scale at which agriculture is practiced by individual farmers in India. More than eighty percent of the farmers in India are small and marginal. Their area of operation is less than two hectares. The disadvantages in being small in scale of production, scale of operation and marketable surplus highly limits their profitability and income. We continue to have huge gaps between farm and markets.

Timely, easy and cheap access to markets is crucial. Poor post-harvest handling and perishability of produce severely reduces the chances of small farmers in recovering income from marketing of produce. Lack of storage facilities and processing opportunities also exacerbates the situation. The situation demands alternate models that shall increase the scalability and profitability of farming.

The solution is that more and more FPOs must be formed. There has been progress in this direction, and more needs to be done.

The success of FPOs to a large extent depends on a slew of disparate and disconnected entities such as banks, retailers and the corporate sector. The value chain required for the development of FPOs is not limited to one participant. A congenial ecosystem is a must for development of producer organizations because they have to deal with the most vulnerable part of agri-value chain.

It starts from the farm and goes on till processing and the far-away markets. The critical ecosystem services include emergency credit, consumption credit, production credit, retail services of inputs for agriculture and other agricultural



production services required by small and marginal farmers. Unless these services are provided by a producer organization, it cannot divert the surplus produce from the local trader or shop keeper to the producer organization.

In addition, the producer organization can take up other services related to facilitating linkage with the banks and line departments for ensuring infrastructure access for the business. Dedicated technical support is needed to provide the requisite knowledge to FPOs to migrate to a more value-addition and agribusiness-focused model. Private sector, knowledge institutions and NGOs can be suitable additions to this collectivization. The role of FPOs in upscaling the income potential of small farmers is immense. Their role in the entire supply chain from input to marketing is under-explored.

FPOs need financing partners to facilitate capital infusion. The credit worthiness of FPOs needs to be popularized and promoted. Business competence is another criteria crucial for the success of the FPOs. Data and technology can expedite the professionalization of FPOs.