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Farmer Producer Organizations, an answer to India's agricultural woes

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More than half of India's population, precisely 58% earns their livelihood from agriculture and allied sectors. As per advance estimates of National Income FY22, the percentage share of GVA of Agriculture and Allied Sectors (at current prices) is 18.8% of the total GVA.

However, the sector is fraught with challenges - small and fragmented land holdings, high cost of quality seeds, manures, fertilizers and biocides, lack of mechanisation and inadequate agricultural marketing infrastructure, logistics, and access to capital.

Genesis of most such problems is the small and fragmented land holdings with the average landholding in India today around 1 hectare. Smallholders cultivate 42% of operated land and constitute 83% of total landholdings.

Farmer Producer Organizations (FPOs) Scheme has emerged as one of the best solutions for smallholder farmers in India, giving them a collective voice and power to negotiate, and in the process an opportunity to earn higher profits from farming. The benefits to farmers accrue on multiple fronts

negotiate better prices for quality Agri inputs due to bulk purchases, collectively

realize higher profits through the sale of output in bulk

quicker technical advice on problems being faced by the members from the other expert members in the FPO

The members also benefit from optimally using the resources by taking irrigation, spraying, and other intercultural activities jointly, optimizing the usage and thus conserving the resources being used.

Credit continues to be a major challenge for the FPOs, i.e., inadequate access to institutional credit due to low capital base, absence of vintage and non-availability of collateral.

Easy access to finance for both input/output procurement to the FPOs will be a growth driver. Key criteria for selection of FPO and the quantum of finance include

total farmer base of the FPO

number of years in operations

profile of the CEO, and BODs

The most important criterion which will help scale the lender's portfolio in this segment is aligning the repayment schedule of the short-term working capital loans borrowed by the FPO with the expected cash inflows. Funding the short-term cash flow mismatches of the FPO, will help scale their operations tremendously by getting them the financial assistance just at the time of requirement while also being in a position to repay the loan obligation on due dates, without delay.

With the extensive support from Government and financial institutions in India, FPOs are proving to be a great success in helping smallholder farmers in India with fragmented land holdings run Agriculture as Agri-business and realize optimal profits.

With a target of 10,000 FPOs by 2027-28, corporates to public service organisations are committing towards promotion of FPOs. And key constituents in the value chain are confident that FPOs will play an important role in making Indian agriculture globally competitive while being remunerative to the small farmers. As the segment grows, it may also become a probable answer to problems in Indian Agriculture like non-diversified cropping patterns causing scarcity/glut in a few Agricultural commodities.



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