

## INNOVATIONS

Content available on Google Scholar

Home Page: [www.journal-innovations.com](http://www.journal-innovations.com)

### Farmers Producers Organizations (FPO) in Bihar: A Road Ahead

**Anayatullah Nayaji**

Research Scholar, Himalayan University

Email: [anayatullah.niyazi@gmail.com](mailto:anayatullah.niyazi@gmail.com)

**Dr Sharad Dixit**

Associate Professor, Himalayan University

---

---

#### Abstract

Indian economy was already in the grip of a prolonged slowdown before the coronavirus hits the country. The total lockdown due to this Covid19 outbreak damages economic structure (rural and urban) of country. Indian agriculture severely faced problem due to this lockdown by hampering on supply chain, production, harvesting etc. Farmers from small and marginal land holding face various challenges in having access to inputs and marketing facilities. In the last several years Government of India has encouraged farmer producer organizations (FPOs) to help small and medium farmers. There are number of study have been conducted on impact of FPOs on farmers income and their standard of living. This paper tried to capture insights of FPOs operating in Bihar and its challenges. Paper also suggested some measures to improve the condition of FPOs.

---

---

#### Introduction

India is primarily an agriculture dominated country and agriculture is the largest and the very important industry in India in terms of livelihood and employment. Nearly 67 percent of the people in India depend on agriculture for their living and it is the backbone of Indian economy. Agriculture in India is small farm driven activity. The holding of average farm size in India has been rapidly declined from 2.3 hectares (ha) in 1970-71 to 1.08 ha in 2015-16. However the share of small and marginal farmers increased from 70 per cent in 1980-81 to 86 per cent in 2015-16. At the same time in different states holding of average size of farm land in 2015-2016 is ranging between 0.18 ha in Kerala, 0.39 ha in Bihar, Uttar Pradesh having 0.73 ha, Tamilnadu having 0.75

ha to the level of 2.22 ha in Haryana, 2.73 ha in Rajasthan and 3.62 ha in Punjab. In Bihar 90% of all land holding are below 1 acre land and average size of farm land holding is one of the lowest in the country. Most of the farmers in Bihar do not have accesses of consumer market and selling their farm yield to local intermediaries. this reduces their profit margin in turn it makes agriculture business non-viable.

### **Farmer Producer Organization (FPO)**

In India Farmers face various institutional and technological issues such as unable to understand the true worth of their produce. The absence of adequate marketing infrastructure, presence of middle man, lack of collectivization effort leads to grabbing less marketing opportunities and earnings. Lack of awareness, non-inclination towards scientific practice and technology and continuous defragmentation of land leads to under production of yield of produce against the potential production. To overcome from these problems faced by Indian farmers new type of Consolidation of agri producers, especially small and marginal farmers, into producer organizations has emerged as one of the most effective mechanism to address the many issues face by agriculture sector, most importantly, improved access to technology, inputs and markets. Farmer Producer Company is considered a best tool which is helpful to organize and formalize the farmers of India. Here farmers set up a company and utilize their combined resources to work in cooperation with related farmers. The farmers become the shareholders of the company. The set-up is run by the farmers with adequate and appropriate management skills or they hire management experts to help them with their produce. The primary objective of such a company is to help farmers bring their produce from farm to market and also help them economically and socially. Companies Act, 1956 introduced a new form of company, i.e. a Producer Company with section 581 in Companies Act, (Amendment) 2002 on the basis of the recommendations from YK Alagh Committee set up in 1999 (Alagh Committee, 2000). The Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India has identified farmer producer organizations to be registered under the special provisions of the Companies Act, 2013 as the most appropriate institutional form to mobilize farmers and build their capacity to collectively leverage their production and marketing strength.

One the main aim of FPOs is to boost the income of farm producer through organisation of their own. Small and medium farmer do not have hight investment in terms of their farm inputs and produce to get the benefit of economies of scale. In absence of consumer market there is chain of intermediaries who are even non-transparent which lead very less profits. However through producer organisations small and medium farmers can avail benefits of economies of scale and resulting better bargaining power.

## Literature Review

Research shows that the performance of FPOs in last several years are mixed on farmers income and their standard of livings. Estimates show that 30 per cent of FPOs are operating successfully but 20 per cent are still struggling to survive and remaining 50 per cent are still in the initial phase of mobilization of capital and farmers and business planning. NABARD has conducted a research study on the benefits of FPOs in Punjab and Madhya Pradesh and research indicates that the new FPOs, the proportion of farmer members contributing to FPOs activities is 20-30 per cent while for the emerging and mature FPOs it is higher at about 40-50 per cent. Similarly a research has been conducted by International Food Policy Research Institute (IFPRI) on comparative study of FPOs in Maharashtra and Bihar. The study found that in Maharashtra, some of the FPOs have organically evolved (OFPOs) when farmers have taken the lead to adopt market-oriented practices, develop cost-effective solutions in production and marketing. However In the case of Bihar, almost all FPOs have been promoted (PFPOs). Garg, studied the performance of a Farmer Producer Company, in Madhya Pradesh using 21 different financial ratios. He used Descriptive Statistics, Compound Growth Rate (CGR) analysis; Garrett's ranking technique and Ratio analysis. Garg used ratio analysis to measure liquidity, solvency, efficiency and profitability of Rewa Crop Producer Company Private Ltd. Ratio analysis was done for two years, 2007-08 and 2008-09. The data was collected from the audited annual reports of the company. In the study, he found that the company was only performing satisfactorily in case of liquidity. In the case of liquidity, solvency and efficiency, the company performed in a poor manner highlighting the inefficiency in financial management. Chauhan, studied 18 FPOs in Madhya Pradesh. She assessed the performance of the companies using variables such as total number of member-shareholders, total net profit and annual turnover for a period of three years. The financial performance of the companies was found below the desired standards. In addition, the study also found that the decisions in the companies are taken by other professionals as the role of BOD member is very low, due to the fact that they are illiterate and unaware of various business regularities. The companies do not have a proper storage system; hence the agriculture produce cannot be stored for long period causing a loss in the bargaining power of the company. The major reason for poor performance is the unavailability of funds. The companies found it hard to get loans from the bank. Insufficient funds to hire professionals to address 'working capital requirements' problem has been another challenge to the companies. Singh & Singh (2013) studied the performance of 25 Farmer Producer Companies from the states of Madhya Pradesh, Maharashtra, Gujarat and Rajasthan. The parameters of the study were turnover, profit and source of working capital. Apart from the financial performance, the study found that there were very few genuine FPCs operating; other FPCs are owned and controlled by professionals and businessmen who are not producers. Also, the Farmer Producer Companies were facing several other

problems such as weak market linkage, Farmer Producer Companies are ignored by the Central and State Governments and NGOs and banks hesitate to provide them loans.

### **Farmer Producer Organization (FPO) in Bihar**

The main aim of FPOs was to help the small holder farmers to achieve the economics of scale by strengthening the support and services in the emerging value chains. Presently, nearly 117 FPO (Registered and Unregistered) in Bihar across 32 districts with 37141 shareholders which are sponsored by NABARD and these FPOs are working under guidance of different NGOs. Membership of FPOs varies from about 300 to more than three thousand; however, some of FPOs purported that they are making efforts to increase number of members in the next year.

FPOs of Bihar are at initial stages and mostly FPOs lack institutional support and technical advice. FPOs in Bihar are fully systemised but not fully cared and working activity is very low. Most of the FPOs of Bihar are dealing with their different agriculture produce mainly for marketing; however, some are indulged in arranging fertilizer, seeds and arranging training programme also with the help of the extension department. Initially, most of FPOs located in Nalanda district are active in marketing of vegetable products including potato and onion but the pace of activity is still very low. In 2016-17 one of FPOs of Nalanda district could arrange marketing of only 1230 MT of potato and 150 MT of onion but the FPO is planning to take this activity at a larger scale.

The most of FPOs located in Muzaffarpur district are engaged in marketing of fruits like Litchi, mango and Green Gram. These FPOs are trying to link the fruits and vegetable marketing with BIG BAZAR which will help in increasing the production and marketing of fruits and vegetables in the hinterland of these FPOs. Most of FPOs of Bihar, are focused their efforts to improve the marketing of maize. Absence of basic infrastructure is one of the main bottleneck of FPOs. The FPOs of Bihar who are indulged in mainly marketing of farm produce are facing a problem of storage for even short time due to non-availability of warehousing. There are numerous FPOs sponsored by NGO known as JEEViKA in Bihar working in the field of farming, dairy, poultry, non-farming like Bee keeping, art and craft etc. These JEEViKA FPOs working for marketing of produce, quality control and higher price realization for farmers.

**District wise number of registered and proposed FPOs sponsored by SFAC and NABARD in Bihar**

S.No	Name of District	NABARD Sponsored (118)	SFAC Sponsored (38)	Proposed by NABARD (43)
1	Araria	02	00	00
2	Arwal	02	00	00
3	Aurangabad	03	00	00
4	Banka	01	00	00
5	Begusarai	01	00	08
6	Bhagalpur	01	00	00
7	Bhojpur	03	00	00
8	Buxar	01	00	00
9	Darbhanga	04	00	08
10	East Champaran	02	16	08
11	Gaya	03	02	00
12	Gopalganj	03	00	00
13	Jamui	08	00	00
14	Jahanabad	02	00	00
15	Kaimur	00	00	00
16	Katihar	03	02	00
17	Khagaria	02	00	00
18	Kishanganj	04	00	00
19	Lakhisarai	02	00	00
20	Madhepura	00	00	00
21	Madhubani	04	00	00
22	Munger	08	00	00
23	Muzaffarpur	06	07	06
24	Nalanda	10	03	00
25	Nawada	13	00	00
26	Patna	02	05	00
27	Purnia	02	01	00
28	Rohtas	00	01	00
29	Saharsa	03	00	00
30	Samastipur	04	00	07
31	Saran	02	00	00
32	Shaikhpura	00	00	00
33	Sheohar	02	00	00
34	Sitamarhi	03	00	00
35	Siwan	00	00	00
36	Supaul	02	00	00

37	Vaishali	07	01	06
38	West Champaran	03	00	00

(Source: Compiled from NABARD and SFAC by author)

### Challenges

NABARD studies show that there are some challenges for operating sustainable FPOs. Some of these are lack of technical skills, inadequate professional management, weak financial structure, inadequate access to credit, lack of risk mitigation mechanism and inadequate access to market and infrastructure. Farmer Producer organizations faces various other challenges such as funding, capacity building and value chain investments. Domestic policies and laws also needed to be addressed for growing the FPOs. Success of FPO also depends on other factors such as Banks, Retailers and Corporate sector. Raising credit is a huge issue for FPOs as three year balance sheet is needed to get Credit from formal Financial Organizations like Banks. Delay in issuance of input license also affecting the business of the FPOs. There is an urgent need to have strong Farmer Producer Organizations working closely with market to safeguard the interest of the small and marginal farmers. If the state government fails to strengthen the FPOs in the infant stage it will lose opportunity to develop rural sector through this institutional innovation.

### Steps for improvement

Bringing in private investment would help in building better organizational capabilities. FPOs relationships with the private sector will take better management and operational practices in the institution. FPOs have to be linked with input markets, technical service providers, processing companies, retailers etc. FPOs need a lot of data on markets and prices and other information and competency in information technology industry also. The FPOs can also be used to augment the size of the land by focusing on grouping contiguous tracts of land as far as possible — they should not be a mere grouping of individuals. Women farmers also can be encouraged to group cultivate for getting better returns. FPOs can also encourage consolidation of holdings. Issues such as working capital, marketing, infrastructure have to be addressed while scaling up FPOs. Banks must have structured products for lending to FPOs. FPOs lack professional management and, therefore, need capacity building.

### Conclusion

The policy makers should encourage FPOs and other stakeholders apart from speeding up throughout the country to benefit particularly the farmers of small and medium farm holders. Through community organizations, encouraging services and infrastructure, supporting local agriculture, is an added advantage in making the FPO success and sustainable in the long run.

## References

1. Alagh Y.K. (2007) *"Linking Small Producers to market through Producer Companies" Workshop on producer Company, New Delhi*
2. Anika Trebbin, Markus Hassler (2012) *"Farmers' producer companies in India: a new concept for collective action?" Environment and Planning*
3. Balakrishnan R, et al (2018) *"Promoting Producer Organization among Farmers" ICAR-CIPHET*
4. Garg (2012) *"Business Performance Of A Producer Company In Madhya Pradesh. Bangalore: Department Of Agricultural Marketing, Co-Operation And Business Management" University Of Agricultural Sciences.*
5. Hellin J, Lundy M, Meijer M (2009) *"Farmer organization, collective action and market access in Meso-America. Food Policy", Food Policy.*
6. Kushankur Dey(2018) *"Farmer Producer Companies in India Determinants of Performance and Viability, Economic & Political Weekly*
7. Ranjit Kumar et al (2017). *"Farmer Producer Organization in Andhra Pradesh: A Scoping Study RythuKosam Project" Research Report IDC-16. ICRISAT*
8. Murray. E.V. (2009) *"Linking farmer producer rainfed corps with Market- A new Paradigm" Indian Journal of Agriculture marketing.*
9. RavadaVedasri (2018) *"A study on performance of farmer Producer organizations in Krishna District of Andhra Pradesh"*
10. Venkattakkumar. R (2012) *"Producer Companies in India-Experience and Implication" Indian Research Journal of Extension Education.*