Empowering Farmer Producer Organizations: A Pathway to Sustainable Agricultural Growth in India

Akshathraj Jain
Asst. Professor,
Department of Management Studies,
Mangalore Institute of Technology & Engineering
Mijar Moodbidri
akshathraj@mite.ac.in

Anjali Ganesh
Professor,
Department of Business Administration,
St Joseph Engineering College,
Mangalore, Karnataka, India,
anjalig@sjec.ac.in

The contribution of agriculture in GDP has declining recent past from 50 per cent in 1950 to 16.5 per cent in 2019-20. In current Covid-19 pandemic, this is the only sector which is contributed positively with 3.4 per cent growth in both the first quarter of the financial year 2020-21. Farmers face different challenges such as scarcity of land and water sources, impassable roads, unavailability of better financial services and new technologies. Government wants to double the farmers' income in 2022-23 by addressing the challenges of farm sector. The government affirmed that farmer producer organizations (FPO) are the most appropriate institutional form around which farmers can mobilize and build their capacity to collectively leverage their production and marketing strength. The members of FPOs are smallholder farmers who organize themselves with the objective of improving farm income through improved production, marketing, and local processing activities. New technologies and marketing practices have not been practiced by most of the FPOs in India. The government should promote the FPOs at the policy intervention for sustenance of their members.

Keywords: *Farmer Producer Organizations (FPOs), Farmers' income, Agricultural growth, Collective farming, Market access, Rural development, Sustainable agriculture*

Introduction: Agriculture plays an important role in India but faces various challenges (A Yazhini[1], A Malaisamy[2]", S Padma Rani[1], K Ramakrishnan[3], K Prabakaran[2], 2024). In the world of agriculture, environment and market-led disasters have become constant threats hanging over the livelihoods of farmers. These hardworking individuals, with their unwavering commitment and strong connection to the land, often find themselves vulnerable to unpredictable forces of nature and the market. However, it is not just the slow or fast unfolding policy, practice and physical environmental disasters themselves that present the biggest challenge, but also the tragic responses, like suicide of farmers, seen in their aftermath. The consequences of dreadful response mechanisms in agriculture are far-reaching and reverberate throughout farming communities (Shaban et al., 2024).

Small and marginal farmers constitute the largest group of cultivators in Indian agriculture; 85% of operated holdings are smaller than or about two hectares, and amongst these holdings, 66% are less than one hectare. However, if the increasing number of agricultural suicides among small and marginal farmers is any indication, these farmers are struggling to survive. While indebtedness is often cited as the immediate reason for distress, deeper issues are related to vulnerability to risks in agricultural production. These issues include lower scale of operation, lack of information, poor communication linkages with wider markets and consequent exploitation by intermediaries in procuring inputs and marketing produce, limited access to affordable credit, and in isolated cases, aggressive loan recovery practices (Bikkina et al., 2018).

Agriculture is one of the sectors most vulnerable to the impacts of climate change due to its direct dependence on climatic factors such as temperature, precipitation, and weather patterns (CH. SRINIVASA RAO*, KIRTTIRANJAN BARAL, V. MANI CHANDANA, 2024). In India, a larger group of cultivators (85%) are small and marginal farmers. The average size of holdings has declined to 1.16 hectares from 2.28 hectares. The small holding character of Indian agriculture is much more prominent today than ever before. Agriculture continues to be the backbone of the Indian economy, and about two-thirds of the people are dependent on it as a primary source of livelihood. The sector contributes to 13.7 per cent of the GDP and provides employment to 58 per cent of the population of our country (Dhola et al., 2023).

Farmer Producer Organisations (FPO):

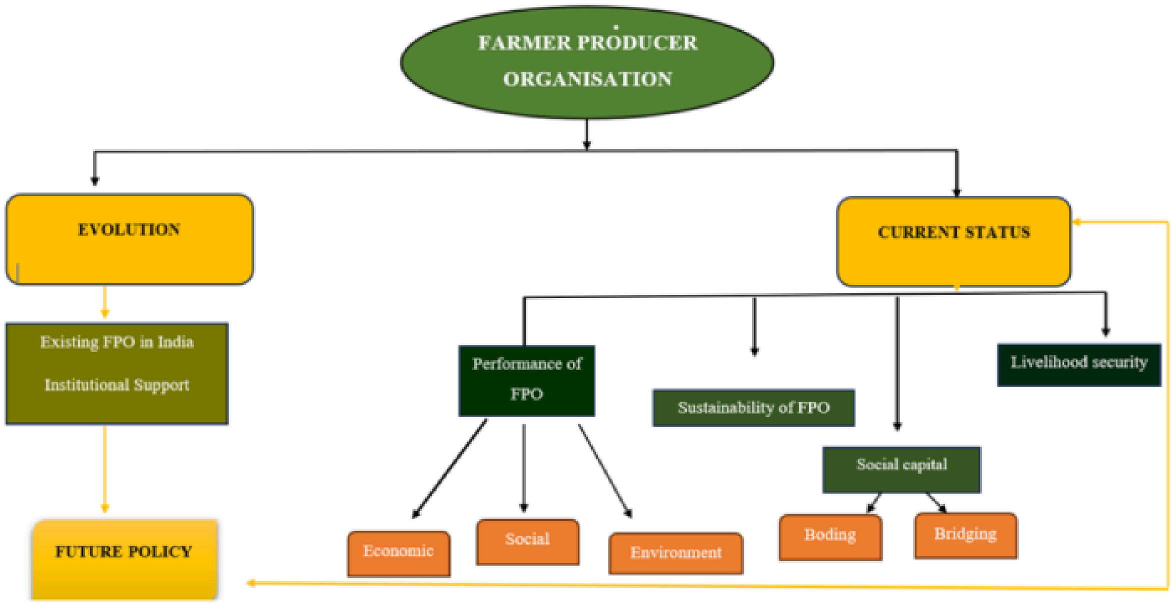
Over the years, many different organisational forms of collective enterprises have been promoted at different times in India. The oldest formal collectives were the credit cooperatives, which have been promoted since the early 1900s under the 1904 Cooperative Credit Societies Act, with the primary objective of addressing farmers' indebtedness and poverty through "encouragement of individual thrift and mutual cooperation among the members, with a view to the utilization of their combined credit" (Govil, Richa, Annapurna Neti and Madhushree R. Rao. 2020. Farmer Producer Companies: Past, Present and Future. Azim Premji University, 2020).

The necessity of forming Farmer Producer Organizations (FPOs) arises from the need to ensure better income for producers through an organization of their own. Small producers do not have the required volume individually (both in inputs and produce) to gain the benefit of economies of scale. Moreover, in agricultural marketing, a long chain of intermediaries often functions non-transparently, resulting in the producer receiving only a small fraction of the final consumer price. Through aggregation, the primary producers can avail themselves of economies of scale and better bargaining power vis-à-vis bulk buyers and suppliers (Kusum Chandrakar et al., 2023).

The journey from cooperatives to farmer producer companies (FPCs) has been well studied. Cooperatives, though initially effective, suffered from excessive political influence, lack of business orientation, underrepresentation of farmers' interests, elite capture, undemocratic practices, and lack of transparency in governance. In contrast, FPCs are envisioned as institutions that empower farmers with decision-making authority and ownership through a bottom-up approach (Ganguly, 2023).

Mobilizing farmers into groups and building associations called Farmer Producer Organizations (FPOs) can enable them to plan and implement product-specific cluster-based or commercial crop cycles effectively. FPOs serve as a means to bring together small and marginal farmers and other small producers to build and manage their own business enterprises with professional support. These organizations help farmers during production, as well as in marketing their crops. By working collectively, small farmers can participate more effectively in the market, reduce transaction costs, gain access to reliable market information, adopt new technologies, and tap into high-value markets, allowing them to compete with larger farmers and agribusinesses (T. Senthilkumar & Kumar, 2017).

The Government of India has recognized this potential and is promoting FPOs as vehicles for technology penetration, productivity enhancement, improved access to inputs and services, and income augmentation. Farmers' Organizations (FOs) are therefore essential institutions for the empowerment, poverty alleviation, and advancement of farmers and the rural poor (Khan et al., 2020). In this context, the emergence and success of FPOs represent a promising path toward sustainable agricultural growth, reduced vulnerability, and enhanced resilience among India's small and marginal farmers. It also seeks to inform strategic policy recommendations for enhancing their effectiveness and long-term viability in India's agricultural sector. The conceptual framework is presented in Fig. 1.



Necessity for Farmer Producer Organisation:

The key objective of PO is to guarantee better income for the creators through their own organisation. Small creators do not have the quantity individually (both inputs and good) to get the benefit of economies of scale. Moreover, in agricultural marketing, there is a stretched chain of intermediaries who work very often not transparently leading to the situation where the creator obtains only a minor part of the value that the final user pays. By aggregation, the primary creators can avail the advantage of economies of scale. They will also have well negotiating power vis-à-vis the wholesale purchasers of produce and wholesale suppliers of inputs (A Yazhini[1], A Malaisamy[2]", S Padma Rani[1], K Ramakrishnan[3], K Prabakaran[2], 2024).

Farmers Producer Organisation (FPO) formation:

Farmer Producer organizations (FPOs) are legally recognized companies formed by primary producers. The membership of Farmer Producer Organisations (FPOs) consists solely of farmers (Parth Biswas a, Amalendu Kumar a & A*, 2025). Farmer Producer Organisation (FPO) means farmers, who are the

ISBN code 978-93-83302-82-6.

creator of farming products, can form groups and the members are grower of primary produces of agriculture and allied activities. It is one kind of FPO where the members are only grower.

Review of Literature:

India's agricultural sector is dominated by small and marginal farmers who face persistent challenges related to low productivity, fragmented landholdings, weak market linkages, and vulnerability to climatic and economic shocks (Bikkina et al., 2018). Traditional cooperative models, while initially promising, have often suffered from political interference and inefficiency (Bikkina et al., 2018). To address these systemic issues, the government introduced Farmer Producer Organizations (FPOs) under the Companies Act, 2002 as collective business entities enabling farmers to access markets, technology, and finance on a competitive footing (Bikkina et al., 2018)).

According to Chandrakar (CH. SRINIVASA RAO*, KIRTTIRANJAN BARAL, V. MANI CHANDANA, 2024). (2023), FPOs have emerged as egalitarian farming associations that provide end-to-end services — from input supply to marketing and processing — thereby enhancing income and market power for small producers. The Small Farmers Agribusiness Consortium (SFAC) and NABARD's PRODUCE Fund have been instrumental in promoting more than 10,000 FPOs across India (Shabana Shaik a*, Prasad Babu G b & TN, 2025). These organizations are envisioned to reduce intermediaries, aggregate produce for better prices, and facilitate credit access, contributing directly to the goals of Doubling Farmers' Income and Atmanirbhar Krishi.

Empirical studies (Bikkina et al., 2015) highlight that successful FPOs such as Avirat Agro Business Producer Company in Gujarat demonstrate how collective bargaining, access to quality inputs, and training can lead to substantial gains in productivity and profitability. However, major challenges persist — limited working capital, lack of managerial skills, restricted access to fertilizer licensing, and inadequate digital infrastructure.

At the same time, climate change poses new risks to Indian agriculture. (CH. SRINIVASA RAO*, KIRTTIRANJAN BARAL, V. MANI CHANDANA, 2024) emphasize that adaptation and mitigation strategies — such as water management, climate-smart agriculture, and renewable energy use — are critical for sustaining FPOs. Integration of climate-resilient practices with collective institutional models can help ensure long-term sustainability and food security.

Objectives of the Study:

To assess the role of Farmer Producer Organizations (FPOs) in empowering small and marginal farmers in India.

To examine the institutional and operational challenges faced by FPOs.

To explore how FPOs contribute to sustainable and climate-resilient agricultural growth.

To suggest policy and managerial measures to strengthen FPOs as drivers of inclusive rural development.

Research Methodology:

This study adopts a qualitative, descriptive research design, relying primarily on secondary data from scholarly articles, government reports, and policy documents. Major sources include case studies (e.g., Avirat FPO in Gujarat) and published research from the IIM Ahmedabad, ICAR, and SFAC. The review synthesizes findings from these sources to identify best practices, challenges, and sustainability models.

Discussion and Analysis

Role of FPOs in Empowering Farmers

FPOs function as economic collectives that enhance bargaining power, improve input procurement efficiency, and enable market access for smallholders (Kusum Chandrakar et al., 2023). They allow farmers to pool resources and leverage economies of scale in both forward and backward linkages. For instance, Avirat FPO facilitated access to certified seeds and pesticides at 10–15% lower costs and provided training in modern agronomic practices (Bikkina et al., 2015). Such institutional innovations reduce dependency on exploitative intermediaries and promote self-reliance.

Institutional Support and Policy Framework

The Government of India, through agencies like SFAC, NABARD, NCDC, and NAFED, provides grants, working capital assistance, and market linkages. The PRODUCE Fund (2014–15) allocated ₹200 crore to promote 2,000 FPOs. Several state governments have also issued licenses enabling FPOs to market seeds, fertilizers, and agricultural equipment. However, many FPOs still struggle with managerial inefficiencies, limited access to credit, and weak governance structures (Chandrakar et al., 2023).

Integration with Climate-Smart Agriculture

Climate variability increasingly threatens rural livelihoods. FPOs can play a pivotal role in disseminating climate-smart agriculture (CSA) techniques such as water harvesting, micro-irrigation, and crop diversification (Rao et al., 2024). They can establish community seed banks and early warning systems while promoting renewable energy-based technologies such as solar pumps and biogas units. This integration strengthens both economic and environmental sustainability, aligning with India's Sustainable Development Goals (SDGs).

Technology and Digital Empowerment

Digital tools can transform FPO operations through end-to-end traceability, smart agro-advisory services, and data-driven decision-making (Chandrakar et al., 2023). Artificial intelligence (AI) and mobile-based platforms can assist in crop planning, pest management, and price forecasting. However, digital literacy among members and lack of rural connectivity remain significant constraints.

Challenges in Scaling FPOs: Key bottlenecks include:

Limited professional management and leadership skills.

Inadequate financial inclusion and access to institutional credit.

Legal and bureaucratic hurdles in fertilizer licensing and procurement.

Low awareness among farmers regarding FPO benefits.

Fragmented value chains and absence of sustainable market linkages.

Overcoming these requires targeted capacity-building, supportive policy reforms, and multi-stakeholder collaboration.

Policy Implications and Recommendations:

Capacity Building: Continuous training in governance, marketing, and financial management should be provided through Krishi Vigyan Kendras and agricultural universities.

Access to Finance: NABARD and commercial banks must design customized credit products and simplify collateral norms for FPOs.

Technology Adoption: Promote digital platforms for aggregation, traceability, and e-commerce.

Climate Integration: Introduce incentives for FPOs adopting climate-resilient and renewable practices.

Market Linkages: Facilitate partnerships between FPOs, agri-tech startups, and corporate buyers to ensure fair pricing.

Policy Alignment: Harmonize FPO policies across states and streamline registration and compliance processes.

Conclusion:

Farmer Producer Organizations represent a transformative model for empowering India's small and marginal farmers by bridging the gap between traditional agriculture and modern agribusiness. By combining collective strength with institutional support, FPOs enhance income, improve resource efficiency, and contribute to sustainable rural livelihoods. However, realizing their full potential requires stronger financial backing, digital integration, and climate adaptation strategies. When effectively managed, FPOs can serve as the cornerstone of sustainable agricultural growth and rural resilience in India — truly making farming a viable and dignified enterprise.

References:

A Yazhini[1], A Malaisamy[2]", S Padma Rani[1], K Ramakrishnan[3], K Prabakaran[2], & P. A. (2024). *View of Farmer Producer Organisation (FPO)_ A Conceptual Study about Farmer Producer Company (FPC).pdf* (p. 13). HORIZON e-Publishing Group. https://doi.org/10.14719/pst.5831

Bikkina, N., Turaga, R. M. R., & Bhamoriya, V. (2018). Farmer producer organizations as farmer collectives: A case study from India. In *Development Policy Review* (Vol. 36, Issue 6). https://doi.org/10.1111/dpr.12274

CH. SRINIVASA RAO*, KIRTTIRANJAN BARAL, V. MANI CHANDANA, M. J. and R. K. (2024). Journal of agrometeorology. *Climate Change Adaptation and Mitigation in Indian Agriculture*, *22*(1), 205–209.

Dhola, A. B., Patel, A. S., & Tala, V. G. (2023). *Farmer Producer Organization - Boon to Agriculture*. *5*(December).

Ganguly, K. (2023). July-December 2023 Farmer-FPC Connect in a Transforming Agricultural Landscape Key Insights and Way Forward Kavery Ganguly. *Co-Operative Perspective*, *December*, 3–26.

Govil, Richa, Annapurna Neti and Madhushree R. Rao. 2020. Farmer Producer Companies: Past, Present and Future. Azim Premji University, B. (2020). *Farmer Producer Companies Past, Present and Future Richa Govil Annapurna Neti*. 1.

Khan, M. A., Pratap, J., Siddique, R. A., & Gedam, P. M. (2020). Farmers Producer Organization (FPO): Empowering Indian Farming Community. *International Journal of Current Microbiology and Applied Sciences*, *11*, 2089–2099.

Kusum Chandrakar, Deepak Kumar Chandrakar, & Debasis Das. (2023). Farmers Producer Organization (FPO): How it is changing farming scenario. *International Journal of Science and Research Archive*, *8*(1), 761–765. https://doi.org/10.30574/ijsra.2023.8.1.0082

Parth Biswas a, Amalendu Kumar a, S. S. K. a, & A*, S. P. b and N. A. (2025). *View of The Role of Farmer Producer Organizations (FPOs) in Revamping Indian Agriculture Landscape.pdf* (p. 17). Journal of Scientific Research and Reports. https://doi.org/10.9734/jsrr/2025/v31i32920

Shaban, A., Kourtit, K., Nijkamp, P., & Das, B. (2024). Socio-ecological shocks, weak community support systems, and tragic responses of farmers – A modeling study on India. *Regional Science Policy and Practice*, *16*(9), 100030. https://doi.org/10.1016/j.rspp.2024.100030

Shabana Shaik a*, Prasad Babu G b, M. Kl., & TN, R. K. a and S. (2025). *View of Farmer's Access to Agricultural Finance through FPOs in Kurnool District of Andhra Pradesh, India.pdf* (p. 25). Journal of Experimental Agriculture International. https://doi.org/10.9734/jeai/2025/v47i53451%0D

T. Senthilkumar, N. K., & Kumar, N. K. S. (2017). Identification of Bottlenecks Perceived among the Farmer Producer Organizations to Augment its Role and Function. *International Journal of Current Microbiology and Applied Sciences*, *6*(9), 216–219. https://doi.org/10.20546/ijcmas.2017.609.029