



Farmer Producer Organizations: Transforming Small Farmers into Strong Entrepreneurs

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INTRODUCTION

Indian agriculture is typified by millions of farmers with relatively small farms, and with increasingly complex production and market contexts. The problem for many of the small and marginal farmers is not only to grow a crop or keep the animals. The bigger problem is getting the good quality materials at sensible prices, having timely technical information, having markets that pay for the production, controlling the risks involved in the production and giving the producer a fair cut of the final returns. Underdeveloped production systems can mean that farmers have restricted bargaining power, and poor storage, processing and transport conditions mean they may be forced to sell the crop as soon as it is ready – sometimes at a price that is not favourable.

This, of course, a question that is crucial: Can small farmers get economically stronger without growing larger? Collective organization is one option that is promising. Through collective action, pooling of production, resources, knowledge, and bargaining power, farmers are able to carry out various activities with greater efficiency than they would be able to do on their own. This is the basic principle behind the formation of Farmer Producer Organizations (FPOs).

An FPO is an organisation that brings farmers together as members and facilitates them to engage in different activities like input procurement, production planning, farmer aggregation, grading, processing, marketing and other agribusiness activities. This approach not only considers the farmer as a raw material supplier of agricultural goods but involves them in a broader value chain. This institutional model is important because of its rapid growth in India. As per the Central Sector Scheme, 10,000 FPOs had been registered across the country till 1 March 2026 with millions of farmers, including a significant number of female farmers (Government of India, 2026).

However, the growth of FPOs cannot just be judged by the number of FPOs. The far more significant question is whether these groups can be made economically viable, sustainable farmer groups that can enhance the economic status of their members. It is here that the concept of promoting small farmers as farm entrepreneurs is highly significant.

From Individual Farmer to Collective Entrepreneur

Entrepreneurship in Agriculture is more than cultivating. Production, investment, technology, markets, risk and value creation are the decision-making areas of an agricultural entrepreneur. Many of these tasks are already carried out by a small farmer but the size of individual farms can limit the opportunities for them. FPOs help farmers pool resources and markets, which could be unavailable for individual farmers' or farmers' households' access.

This change can thus be seen as a process of progressive evolution of the individual producer towards the collective producer, the shareholder, the decision-maker and the entrepreneur. A farmer who used to buy and sell his/her produce, even in a small quantity, to a local trader, can be a member of an FPO and engage in collective procurement, aggregation, grading, processing and marketing. The farmer's economic reach can greatly expand but the land he or she farms may stay the same.

But a systematic review of FPO research in India revealed that FPOs can have a positive impact on agricultural marketing, and price realization, and on productivity and farmers' economic outcomes, and also identified the existing challenges in the financial sustainability, managerial capacity, market access and organizational governance of FPOs (Patil et al., 2025). An FPO's power comes not just from farmers coming together; it's in the power of transforming the collective strength into sustainable economic activity.

Collective Procurement: Strength through Scale

Collective purchasing is all about buying in lots, bulk or volume. Collective purchasing is all about quantity, bulk and lots.

The simplest but one of the most important tasks of an FPO is collective procurement. Generally individual farmers buy small amounts of seed, fertilizer, bio-inputs, plant-protection materials, plant protection products, farm equipment services, animal feed and fodder seed etc. The amount of negotiation may also be limited due to the small quantities that the individual farmer may purchase.

An FPO may be able to consolidate the needs of its members and make their purchases as a group. This can have positive effects on the availability of good inputs, lower transaction costs and sometimes offer more leverage. It can also facilitate farmers in getting their inputs in time and save them from the individual farmer's efforts in looking for input suppliers.

This function is important not only in terms of the cost of its inputs. Collective procurement can also enhance access of the farmers to better quality inputs and technically recommended inputs. In this way, the FPO is more than just a buyers' group; it is also a tool that can be used to enhance the quality and efficiency of the production systems of the farmers.

From Selling Produce to Building Market Power

Holding the position of being a producer of produce to a productive one, which is a producer of market power.

A farmer's production doesn't stop when she or he harvests the crop. To achieve economic success with farming, events following production are most important. Individual farmers may be less likely to have bargaining power due to lack of storage facilities, some lack market information, and are dependent on intermediaries, due to small quantities.

One of the issues can be solved by aggregation of the produce of FPO members using an FPO. Collecting the output of hundreds of farmers and providing the institutional buyers, wholesalers, processors and other organized markets are possible. Another function of aggregation can be grading/sorting, standardisation, packing and transportation.

Market-oriented collective action has been emphasised many times in the recent research of the FPOs. Some of the key themes identified by Patil et al. (2025) which require attention in the development of FPOs in India are market access, agricultural marketing and technological efficiency. The authors also pointed out that market linkage is still one of the big issues which impacts the sustainability of these organisations.

Hence, the aim of an FPO is, not just to sell the farmers produce collectively. It should have a bigger goal of being able to assist farmers in negotiating better, understand markets and get a better return on the value created in the agricultural value chain.

Moving Beyond Raw Produce: The Power of Value Addition

One This is an integrated approach to value addition of raw produce, with the power of moving beyond raw produce.

The biggest avenue for agricultural entrepreneurship is adding value to the crop. A significant proportion of the final consumer price is created during the processing, packaging, branding and transportation and marketing of agricultural commodities, which is often done by farmers.

These activities can be accessed via an FPO where the farmers can enter collectively. Milk is utilized to make curd, paneer or other dairy based products. Millets may be cleaned, processed and ground into flour and ready to cook products. Grades and processing/packaging of fruits and vegetables, and branded products out of commodities like turmeric, honey and spices.

These activities can generate further job and income creation potential to the rural

communities. But value addition demands proper infrastructure, technical know-how, quality management, packaging and branding as well as available markets. When farmers work together these requirements can be more easily met but are often not so easily met as individuals.

Therefore, the path of an entrepreneurial FPO can be from production to aggregation, aggregation to processing and processing to branding and marketing. This value chain transformation can enable farmers to make a shift from selling food commodities to creating value.

Professional Management: The Missing Link

Ownership of an FPO is not a guarantee of the success of the business, the farmers are owners of the FPO. An FPO is also a business which has to handle a variety of issues such as financing, stock management, procurement, contracts, taxation, accounting, marketing, manpower and business risks.

The economic performance of producer organizations (FPOs) has been a recent focus of attention in the study of FPO financial performance and has highlighted the role of organizational and business-related factors in determining the economic performance of FPOs (2025). Also, Patil et al (2025) found the lack of managerial skills, shortage of finances, poor market linkages and organizational difficulties as significant factors impacting the sustainability of the FPOs.

Hence, it is essential for FPOs to be a blend of farmer ownership, and professional management. The farmers should be the ones to make decisions and be the owners of the organisation and trained professionals can be brought into the organisation to provide the managerial and technical skills needed to run the organisation properly.

The farmer's organization should not turn into a "no discipline" organization. It must instead be based on the best attributes of collective farmers' ownership and professional management.

From Beneficiaries to Shareholders

One of the most significant changes provided by FPO is the shift in farmers' identities. Many development programmes address the farmers with an eye towards subsidy, training, inputs and/or government schemes as their beneficiaries. The FPO model provides a new relationship.

A farmer joins an organisation to represent their economic interest, and they are a member and own part of the organisation. This can help to spur more involvement in decision making and foster a sense of ownership.

But if members do not actively participate, it doesn't really have any meaning as an ownership. Farmers should be the ones who attend the meetings, have knowledge about the activities of the organisation, join collective activities in procurement and marketing, keep track on the performance and make the management accountable. Farmers being passive shareholders will not make an FPO a strong enterprise.

The shift from beneficiary to shareholder is thus also a shift in attitude: farmers can become the owners of those institutions which can help them in their economic development.

Women Farmers and the Rise of Inclusive Entrepreneurship

When the women farmers can be seen as important stakeholders in FPOs' ownership, leadership and business management, the entrepreneurial abilities of the FPOs come into fore. Women's roles are significant in crop production, livestock management, processing and other agricultural activities, as well as in dairy activities; however, not all of them have been given the appropriate recognition in terms of formal ownership and in market participation.

The national FPO initiative is a positive sign of the growing involvement of women. As on 1st March 2026, 100 per cent of FPOs under the scheme are women-led with 23.55 lakh women farmers being registered under the initiative (Government of India, 2026).

Women entrepreneurs can be engaged in opportunities in Dairy, Horticulture, Food processing, Millets, Honey beekeeping, mushroom growing, Seed production etc under the different food sectors in the form of FPOs. More importantly, collective organizations can provide opportunities for women from being contributors to farm activity to participating as shareholders, directors, managers and entrepreneurs.

Therefore, the achievement of FPOs cannot be just judged on its success in creating an inclusive entrepreneurship, and in broadening the participation of women farmers in the decision-making process in the economy.

Dairy Farmers as Agricultural Entrepreneurs

The dairy industry is a business that is run by the producer. The dairy industry is an entrepreneurial agricultural business.

The same applies to dairy farming: the idea of producer organisations. Dairy farmers are often plagued by issues of the high cost of feed/fodder, animal health services, reproduction management, sourcing quality inputs and dairy product marketing.

A dairy group can be formed as FPO or producer group which can help to do the collective purchasing of cattle feed, mineral mixture and fodder input. Can also be used to produce fodder, prepare silage, provide veterinary services, reproductive-health services, aggregate milk prior to sale, test for quality, chill and add value to milk.

The biggest entrepreneurial potential is to get away from selling raw milk. Farmers may be able to process and brand the products like curd, paneer, ghee and other value adding dairy products through collective processing and branding. This enables the dairy industry to be involved in more value chain steps, and in turn, possibly capture a higher share of the value of dairy products.

The dairy industry is also a good platform to link entrepreneurship initiatives in FPOs with climate resilience. Various factors such as heat stress, feed shortage, water scarcity

and altering disease profiles can impact dairy productivity. Collective organizations can help to connect economic entrepreneurship to climate resilience, by providing access to better fodder and heat-stress management solutions, animal-health services, and climate-related tips and tricks.

The Digital FPO: Connecting Farmers to Information and Markets

The information dependent modern agriculture entrepreneur is becoming more and more common. Production and marketing decisions can be affected by market prices, weather forecast, online payment systems, online markets, technical advisories and consumer preferences.

FPOs can be a link between the farmers and the digital systems for agriculture. Collective platforms can allow farmers to potentially gain access to market information, weather forecasts, digital financial services and online procurement and broader market opportunities.

In fact, there is research in India that also highlights the contribution that ICTs can make to farmers' adaptive capacity. Chetri et al. (2021) emphasised the role of information and ICT-based systems to the farmers to access information and address the climate risks.

But digitalisation is not to be an alternative to exclusion. The use of digital tools requires training, local language communication, easy to use interfaces and ongoing hand-holding. Technology should not make things more complex, but help farmers to be better informed and more connected.

FPOs and Climate-Resilient Agriculture

Climate change is an integral part of the future of agricultural entrepreneurship. The uncertainty in production is growing with the rising temperatures, irregular rainfall, droughts, floods, changing patterns of pests and diseases and water scarcity.

They might be especially susceptible as they are small farmers who typically don't have a large financial buffer and are unlikely to have

the resources to invest in adaptation technologies on their own.

FPOs have the potential to increase collective resilience to climate change by providing access to climate information, providing better varieties, livestock health services and climate-smart agricultural practices, and providing improved fodders and production systems that will reduce water use.

Empirical evidence provides an important link between FPOs and climate adaptation, which is now available. A study of 326 smallholder farmers (in 38 FPOs across Karnataka, Telangana and Andhra Pradesh) revealed that institutional support from FPOs was linked to climate adaptability through the use of adaptive agricultural practices and increased financial and psychological resilience among the farmers (Rajak and Sathu 2026).

This indicates that FPOs can play a role in climate resilience beyond just the technology itself, but as tools to build the ability of farmers to grasp, implement and maintain the technology.

An FPO can thus transform from being just a market-oriented body to a climate resilient agriculture entrepreneur's body.

Government Support and the Road Towards Self-Reliance

The Government has extended support for the countryside and initiated a program of self-reliance for it.

The Government of India has invested in building the FPO ecosystem in great ways. As per Central Sector Scheme for Formation and Promotion of 10,000 FPOs, support is provided for Management costs, Equity matching and credit guarantee can help in developing the organizational and financial capacity of emerging FPOs (Government of India, 2025).

The 10,000 registered FPOs target is an important milestone that will be achieved by March 2026. Registration is but the first step in what is a journey of FPO, however.

The goal should be shifting from government-supported organizations towards viable and economically sustainable enterprises by the farmers. While external assistance can serve as the basis, sustainable development will rely on the contribution of the business, membership, professional management and the potential demand for the market and to continually generate value for farmer shareholders.

Challenges on the Road to Entrepreneurship

The FPO model is a huge potential but the model shouldn't be romanticized. Although the entire scenario suggests that several FPOs are challenged because of poor working capital, lack of managerial skills, the low number of active members, poor infrastructure, and lack of good market linkage, difficulties in financial sustainability are yet another challenge.

Patil et al. (2025) highlighted that to ensure the long-term sustainability of FPOs, it is crucial to work on these issues related to organizations, finance and market. Having an FPO does not mean that its members can expect to receive better income.

This separation is most crucial.

Institutionalisation through the creation of an FPO is an achievement. Creating a successful FPO is a business success.

The next stage in the FPO movement thus needs to be focused on professional management, business planning, financial discipline and member education, market intelligence, infrastructure and value addition.

The Way Forward

The FPO is to be more than an aggregation centre in the future. It should be developed into an institution owned by the farmers that can deal with the changing markets, technology and climatic conditions.

These can turn into input service providers, market intelligence centres, value-addition businesses, digital agriculture centres, climate-resilience platforms and rural employment generation businesses. This vision will only become a reality when there is a better convergence between the farmers, FPOs, Government agencies, Research institutes,

KVKs, financial institutions and partners from the private sector.

Most crucial is that farmers should continue to be the main protagonists of this change. Measuring the success of an FPO on whether it has a high number of members or a high turnover is not a sufficient indicator because the success lies in whether the members of the FPO have meaningful improvements in income, market access, decision making power, resilience and opportunities as entrepreneurs.

The question needs to be gradually changed from 'How many FPOs have been formed?' To 'How many FPOs are generating sustainable value for its farmer members?'

CONCLUSION

Limited resources may be the case for a small farmer that works alone, who may have limited land, capital, and bargaining power. When farmers join forces in their production, knowledge, resources and entrepreneurial force, however, their economic potential can be transformed.

The true potential of the Farmer Producer Organizations is that.

FPO's do not increase the landholding size of individual farmers. Expands the farmer's economic sphere. It has the potential to change the way people buy, sell and cultivate raw materials into how people collectively produce value added products and become shareholders and entrepreneurs.

More output may not be the only measure to save Indian agriculture. It will also rely on the ability of farmers to do so in an effective manner - to generate, capture and share value.

Small farmers can escape the constraints of disorganized production with the support of knowledge, technology, finance and professional management along with robust markets.

There may be a diminishing capacity of one farmer. Association is a strong force which can strengthen an enterprise.

But that's where it all starts for a small farmer to be a great entrepreneur.

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