



Harvesting Strength Together: The FPO's growth in India

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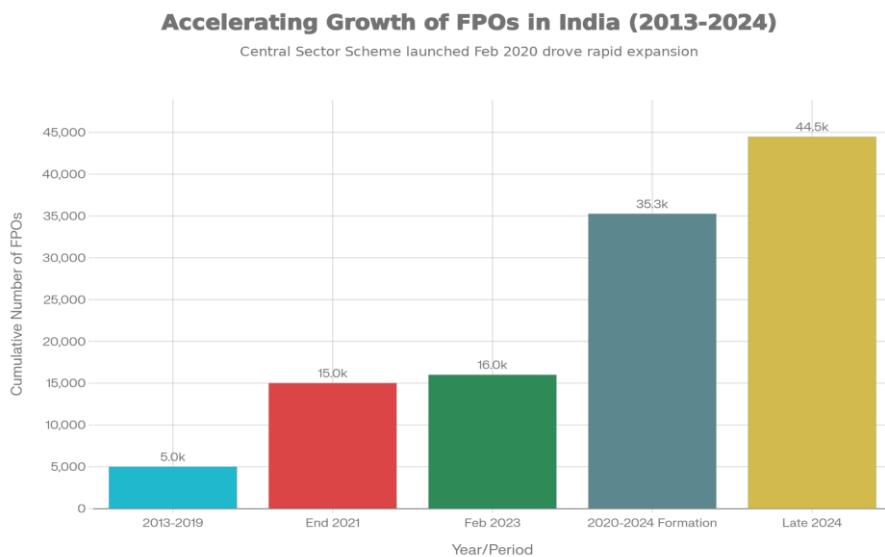
INTRODUCTION

Farmer Producer Organisations (FPOs) have emerged as a key institutional strategy to strengthen India's smallholder agriculture and enhance farmers' market participation. Introduced under the Central Sector Scheme in 2020, the initiative aims to organize millions of farmers into business-oriented collectives supported by financial assistance, credit facilities, and professional handholding. FPOs seek to overcome structural constraints such as fragmented landholdings, weak bargaining power, and limited access to technology and markets. While the number of registered FPOs has grown rapidly across states, variations in governance, membership strength, fund utilization, and income impact highlight the gap between policy intent and field-level outcomes, raising important questions about their long-term sustainability and effectiveness.

CONTENTS

1. Imperative of FPOs

Small and marginal farmers form nearly 86% of landholders, operating on fragmented plots with weak bargaining power and limited access to inputs and markets. FPOs address these structural constraints through collective procurement, shared infrastructure, and unified market participation. The Central Sector Scheme launched in 2020 allocated Rs.6,865 crore to promote 10,000 FPOs. As of July 2024, 8,780 FPOs have aggregated 1.98 million farmers across 34 states and UTs. This exceeds original targets, indicating strong institutional expansion. However, average membership remains only 225 farmers per FPO. NABARD studies suggest 700–1,000 members are required for break-even. This gap raises concerns about long-term sustainability.



Source: Compiled by author based on Government of India and NABPO/NAFPO data on FPO registrations (2013–2024)

2. Core Analysis

2.1 Policy Architecture & Government Support

The scheme offers grants up to Rs.18 lakh per FPO over three years for management costs. Matching equity grants of Rs.2,000 per farmer are capped at Rs.15 lakh per FPO. A credit guarantee facility up to Rs.2 crore supports access to institutional loans. Five-year handholding is provided through Cluster-Based Business Organisations. By December 2023, Rs.1,024.59 crore had been released to agencies. This represents only 15% of the total allocation. A Rs.1,000 crore credit guarantee fund is operational. Utilization efficiency varies significantly across states.

2.2 Membership Composition & Inclusivity

Total membership stands at 1.98 million farmers. Women constitute 686,665 members, or 34.6% of the total. Only 810 FPOs are exclusively women-led. This is low compared to women's 73% share in agricultural labour. NABARD data show women-led FPOs outperform others. Cropping intensity among women members reaches 210%. Non-FPO comparisons show only 149%. Women also cultivate more high-value crops. Inclusion remains below potential.

2.3 Budget Utilization & Investment Trends

The scheme budget includes Rs.4,496 crore for Phase I and Rs.2,369 crore for Phase II. Only

Rs.1,024.59 crore had been released by December 2023. Delays affect infrastructure creation and working capital. Low fund flow threatens member retention. Rs.302.22 crore was allocated under the Farm Sector Promotion Fund. Credit guarantee funds remain underutilized. Complex documentation restricts access. Implementation bottlenecks persist across states.

2.4 Geographic Distribution

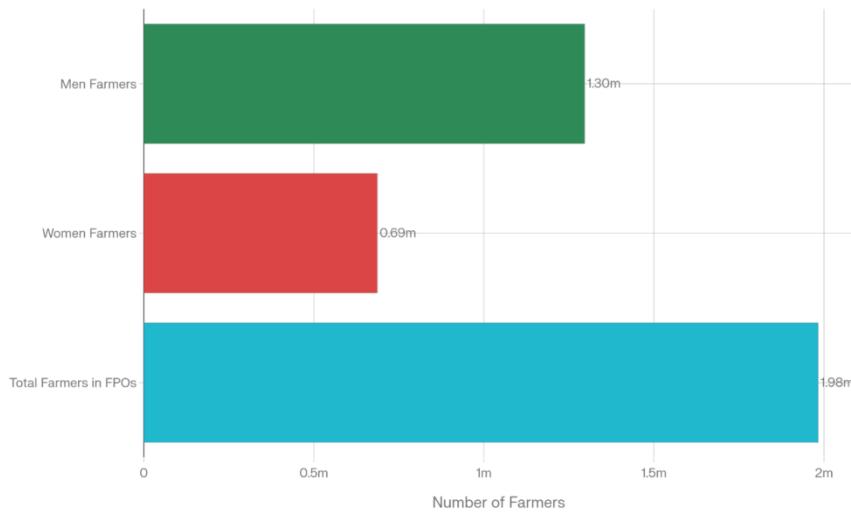
Uttar Pradesh leads with 1,237 FPOs. Andhra Pradesh follows with 449 registrations. Maharashtra, Madhya Pradesh, and Rajasthan record over 300 each. Concentration reflects state administrative capacity. Strong implementing agencies support better performance. Commodity focus influences FPO formation. Governance environment plays a role. Eastern states show slower growth. Distribution remains uneven nationwide.

2.5 Business Performance & Income Impact

Digital market integration raises incomes by 15–25%. NDDDB milk FPOs procure 2.9 million litres daily. They generated Rs.47,920 million revenue in FY21. NSPDT poultry FPOs recorded Rs.5,240 million turnover. Over Rs.400 million was shared as profits. 15,000 women accessed industrial production systems. However, such success is limited to few models. Broader impact remains uneven.

Membership Composition in Central Sector Scheme FPOs

Women comprise 35% of total farmer membership



Source: Compiled by author based on Government of India Press Information Bureau (2024) data on women's participation in FPOs and NAFPO sector reports

2.6 Governance & Operational Challenges

IFPRI identifies elite capture in FPO leadership. Large farmers dominate decision-making. Matching grants often worsen inequity. Oversized FPOs exceed 5,000 members. Coordination failures are common. Delayed implementation scores highest on severity. Technical guidance is inadequate. Nearly 80% lack storage and market linkages.

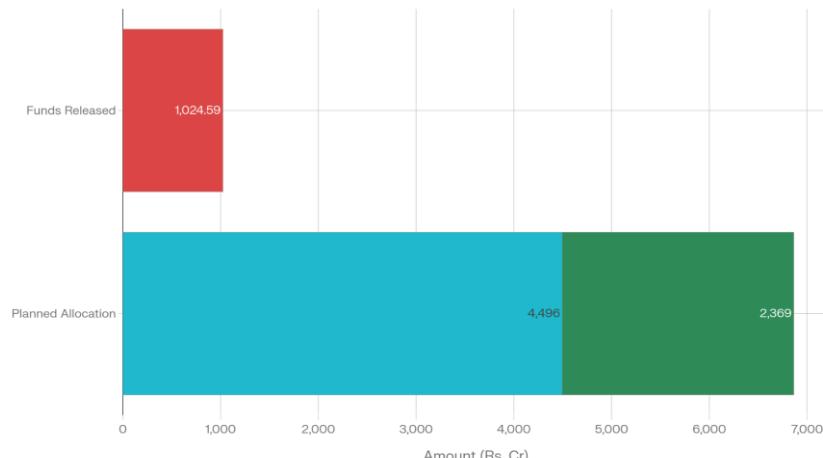
2.7 Capital Formation Constraints

Member equity contributions range from Rs.500–1,000. With 1,000 members, capital reaches only Rs.10 lakh. This is insufficient for procurement operations. Processing investments remain unaffordable. Low capital limits creditworthiness. Banks hesitate to lend. Working capital shortages persist. Business expansion is restricted. Financial fragility affects sustainability.

Central Sector Scheme Budget Allocation & Utilization (Rs. Crore)

Total Rs. 6,865 cr allocated; Rs. 1,024.59 cr released by Dec 2023

■ Released (Dec 23) ■ 2024-28 Commit. ■ 2019-24 Period



Source: Compiled by author based on Government of India Press Information Bureau (2023) data on Central Sector Scheme fund allocation and utilisation

FPO Challenges vs Success Factors

8 key challenges offset by strategic support mechanisms

Major Challenges	Success Factors
Elite capture & governance issues	Strong Central Government support (Rs. 6,865 Cr budgeted)
Inadequate working capital	Commodity-specific expert promotion (NDDB, NSPDT model)
Limited market linkages & buyer access	Cluster-based Value Chain approach (ODOP)
Low women participation (34.6% only)	Long-term handholding for 5 years
80% report infrastructural constraints	Credit guarantee facilities (up to Rs. 2 Cr)
Irregular input supply & coordination gaps	Matching equity grants (up to Rs. 15 lakh)
Dependency on external agencies	Federation networks for scale & bargaining
Only 57% submit required financial docs	e-NAM integration for market access

3. Pathways Forward

3.1 Governance & Accountability

Introduce minimum 40% women representation on boards. Expand women-focused training programmes. Implement transparent election processes. Enable external audits and member recall systems.

3.2 Optimizing Size & Commodity Focus

Restrict FPO size to 500–1,000 members. Promote ODOP-based specialization. Encourage federation models. Strengthen commodity-specific FPOs.

3.3 Fund Utilization & Credit Access

Simplify documentation requirements. Build capacity of implementing agencies. Improve awareness of credit guarantee schemes. Accelerate fund disbursement.

3.4 Program Convergence

Integrate FPOs with e-NAM and PMKSY. Link with PM-Kisan income support. Strengthen ICAR extension convergence. Use FPOs as delivery platforms.

CONCLUSION

Farmer Producer Organisations in India hold strong potential to emerge as powerful engines of farmer empowerment. With over 35,000 FPOs formed between 2020 and 2024, aggregating nearly two million farmers and supported by a government investment of Rs. 6,865 crore, the initiative reflects a bold institutional innovation.

Successful models such as NDDB milk companies and NSPDT poultry networks demonstrate that professionally managed FPOs can significantly enhance incomes, strengthen market access, and build sustainable enterprises. While challenges persist in governance, capital formation, and inclusion, these present opportunities for targeted reforms. By prioritising institutional quality, promoting commodity-specific models, and strengthening program convergence, FPOs can evolve into enduring pillars of inclusive agricultural growth.

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