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Problems faced by the members of Farmer Producer Organizations (FPOs) and suggestions to strength the functioning of Farmer Producer Organizations (FPOs)

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Abstract

Farmer Producer Organizations (FPOs) have become important institutions to help small and marginal farmers in India. They aim to improve farmers' access to inputs, credit, processing facilities, and markets. Despite a strong push from the government, particularly with the Central Sector Scheme for the Formation and Promotion of 10,000 FPOs launched in 2020 and a budget of ₹6,865 crore, FPO members still face various challenges that limit their potential. This study involved 125 respondents from 5 FPOs from Kalaburagi district to document the challenges they face and gather their ideas for overcoming these issues. The findings show that the lack of processing units was seen as the biggest challenge (91.20%). Other challenges included poor credit facilities (78.40%), the absence of procurement systems (68.80%), and weak market linkages (62.40%). Additional issues were the lack of custom hiring services, complicated registration processes, high membership fees, excessive paperwork, insufficient knowledge of FPO services, and poor input supply. In response, members recommended setting up processing units, expanding credit options, improving procurement systems, strengthening market links, and simplifying registration procedures as key areas for action. The study highlights the urgent need for targeted policy support in building infrastructure, ensuring financial inclusion, and developing skills to fully realize the potential of FPOs in transforming agriculture and promoting rural prosperity in India.

Keywords: Producers Organizations (FPO), constraints, suggestions, market linkages

Introduction

The agricultural sector in India has a very large proportion of small and marginal farmer's – approximately 86 percent of total farmer's, or small and marginal, and their average land holdings are less than 1.1 hectare (Press Information Bureau, 2021) [4]. The high vulnerability of these producers to changes in input costs, price volatility in the market place and their limited ability to negotiate on price in the marketplace make them one of the most vulnerable groups in society. Collectively known as Farmer Producer Organizations (FPO), FPOs are legal entities that allow profit sharing among members, unlike cooperative structures, FPOs provide their member farmers with greater returns for their produce due to their enhanced negotiating position within the marketplace (Arahant *et al.*, 2025) [1]. Currently, India has around 7,374 Farmer Producer Companies (FPCs) that include about 4.3 million farmers (Neti, *et al.*, 2019) [2].

Globally recognized as an effective institutional model, FPOs also assist small and marginal farmers by providing them access to new markets, enabling them to operate at increased levels of economy of scale and facilitating group decision making (Patnaik and Chaudhary, 2025) [3]. Recognizing the significant potential for these types of collective models, the Government of India through its Ministry of Agriculture and Farmers Welfare launched the Central Sector Scheme for the formation and promotion of 10,000 Farmer Producer Organizations (FPOs) in 2020. This scheme was initiated with the goal of empowering small, marginal and landless farmers through organization into a collective enterprise to increase their access to inputs, credit and markets.

Under this flagship program, FPOs will be established in produce clusters utilizing the "one district one product" approach to increase specialization and improve processing, marketing, branding and exporting opportunities. Additionally, under this program, it is anticipated that

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value chains will assist in creating at least 60 percent of all market links for their FPO members. Despite these policy moves, the way FPOs actually work is still held back by many structural and operational roadblocks.

Small and marginal farmers deal with high finance costs and barriers to input and output markets and struggles with new technology. They often use outdated methods and face poor harvests and high supply chain costs and low profits which leads to economic stagnation. Within organizations, issues like limited working capital and high input costs and weak market connections often weaken their economic strength. Complex rules and not knowing about policies limit access to institutional support. Research shows that concerns about working capital and financial sustainability and complex compliance systems and lack of data and professional staff need urgent action. If ignored, these could hurt the strong positive view of FPOs. Studies on how FPOs perform reveal considerable outcome differences across regions and commodity types. FPOs in horticulture and dairy and other high-value commodities integrate into markets better due to perishability coordination and value-adding possibilities.

In contrast, FPOs in staple crops struggle with aggregation and price changes and scaling. Challenges at the member level are major too. Field studies show that FPO members face various problems that hinder their growth and effective work which includes difficulties in reaching agreements and more workload from group activities that limit unified actions.

Methodology

The study was conducted in Kalaburagi district of Karnataka state during 2020-2021. Ex-post facto research design was used, which is a type of research design where the study begins after the events or conditions have already occurred, without any manipulation or intervention by researcher, was employed. Because this research design is a non-experimental approach used to explore possible cause-and-effect relationships by analysing existing conditions. Kalaburagi district was chosen on purpose because it is a leading district in the FPO program in Karnataka. The major NGOs namely Vrutti Livelihood Resource Center (VLRC), Mysore Resettlement and Development Agency (MYRADA) and the Department of Horticulture are actively involved in promotion of FPOs.

The FPOs were selected based on the criteria that the FPO should have been completed minimum of three years of its function and should be registered under Companies Act 2013. During the study, in Karnataka state 318 FPOs are functioning of which 22 FPOs are operating in Kalaburagi district. Five actively functioning FPOs viz., Nisarga Krushikara Producer Company Limited (NKPCL), Rohini Krushikara Producer Company Limited (RKPCL), Balabheemasena Krushikara Producer Company Limited (BKPCL), Negilayogi Horticulture Farmer Producer Company Limited (NHFPCL) and Grameena Horticulture Farmer Producer Company Limited (GHFPCL) were purposively selected for the study, three each promoted by

NGO, Vrutti Livelihood Resource Centre and remaining two each promoted by state department of Horticulture.

A list of probable constraints that are likely to be faced by the members of Farmer Producer Organizations were prepared and included in the interview schedule after thoroughly reviewing the related studies. The response was analysed in terms of percentage and ranks. The suggestions expressed by the respondents for effective functioning of Farmer Producer Organization was documented and expressed in terms of percentage and ranking.

Results and Discussion

Constraints expressed by FPO members

The constraints faced by FPO members have been depicted in Table 1, reveals that, the statement, 'lack of processing units' was found to be major constraint and ranked first by the members, this might be because majority of the FPOs were found to be having average and poor processing units at their premises and some of the FPOs are not yet having such facilities, hence members expressed it as the primary constraint faced by them. Poor credit facilities were found to be ranked second, this might be because of the fact that majority of the FPOs were not having any credit service facilities and very less of them have credit services whenever it was required by the members. Further, non-availability of procurement systems, was found to be ranked third among all other constraints, this was probably because members felt that the proper procurement system needs to be established for the benefit of members to enhance their profit.

Low market linkage (RANK IV) and non-availability of custom hiring services had been ranked fifth, as there must be improvement in providing custom hiring services including all the equipments rather than only providing specific equipments. Cumbersome registration process was found to be ranked sixth, because of the fact that registration process of the FPOs were felt to be quite clumsy and complicated by some of the members of the FPOs.

Pertaining to the high initial share capital/membership charges was ranked seventh, as for some of the members it was bit expensive for the initial charges to be paid. Too much paper work and book keeping was ranked eighth or third last among all other constraints, this might be because for some of the members it was difficult to handle and understand too much paper work, and some of them were educated below high school level. Inadequate knowledge about various services provided by FPOs was found to be ranked ninth, this might be because majority of the respondents were aware of the services provided by the FPOs and very few were unaware of these as well as some newly available services at the FPOs. Followed by lack of proper input supply was found to be ranked tenth as a constraint, this might be because majority of the FPOs are good at their input supplies but very few needed to be get improvised on providing all kinds of input supplies timely.

Table 1: Constraints expressed by FPO members (n=125)

Sl. No.	Items	Frequency	Percentage	Rank
1.	Lack of processing units	114	91.20	I
2.	poor credit facilities	98	78.40	II
3.	Non availability of procurement systems	86	68.80	III
4.	Low proper market linkages	78	62.40	IV
5.	Non availability of custom hiring services	62	49.60	V
6.	Cumbersome registration process	45	36.00	VI
7.	High initial share capital/ membership charge	38	30.40	VII
8.	Too much paper work and book keeping	29	23.20	VIII
9.	Inadequate knowledge about various services provided by FPO	25	20.00	IX
10.	Lack of proper input supply	18	14.40	X

Suggestions offered by FPO members to overcome the constraints

As shown in the Table 2, suggestions offered by the respondents to overcome the constraints, it was visualized that, processing units can be established was found to be ranked first as a suggestion by the members, this might be because of the fact that majority of the FPOs are lacking in providing processing units services like drying, cleaning and grading, and should be improved and provided under the guidance of FPOs were benefit the farmers and moreover majority of the FPOs are found to be having poor and no processing units. Further credit facilities for the members found to be ranked second, this might be because it was observed that very few FPOs were providing credit facilities to its members based on their demands and the facility should be increased to benefit the members during the lean period. Improvement of procurement system was ranked third, as majority of FPOs are having their procurement systems but some of them are poor and average and members might have felt that there should be improvement in these services.

Proper market linkages can be made, was found to be ranked

fourth by the respondents, this was probably because it was observed that market linkages need to be improvised and not only for few crops which were already being provided but to be extended to the other crops. Custom hiring services can be made and at lesser costs, was ranked fifth as more than half of the FPOs were found to be having only few equipments and for almost half of the FPOs no custom hiring services was available. FPO membership registration should be made simple and membership charges to be reduced, were found to be ranked sixth and seventh respectively, as a suggestion, as they were already mentioned in the constraints list and respondents felt that its needs to be improvised to make it easy for the members. Conduct of awareness programmes for the members, this was found to be ranked eighth, as there were already many training programs has been organized by the FPOs and despite that few of the members are unable to get updated regarding the activities and facilities availed by the FPOs, hence members would have expressed for more awareness programmes to be organized in this regard.

Table 2: Suggestions offered by FPO members to overcome the constraints (n=125)

Sl. No.	Items	Frequency	Percentage	Rank
1.	Processing units can be established	92	73.60	I
2.	Credit facilities for the members	78	62.40	II
3.	Improvement of procurement system	73	58.40	III
4.	Proper market linkages can be made	66	52.80	IV
5.	Custom hiring services can be made at lesser rates	57	45.60	V
6.	FPO membership registration should be made simple	53	42.40	VI
7.	Membership charges to be reduced	28	22.40	VII
8.	Conduct of awareness programs about FPOs	23	18.40	VIII

Conclusion

The present study has systematically documented the constraints experienced by FPO members and the corrective suggestions offered by them, thereby providing valuable ground-level insights on the operational gaps within the FPO ecosystem. The most critical gaps are infrastructure (lack of processing units), credit, and procurement systems. Low market linkages and non-availability of custom hiring services further exacerbate members' inability to reap the maximum economic value from their FPO membership. The findings of the study broadly corroborate empirical evidence highlighting that without adequate physical infrastructure and credit support, the collective positive potential of FPOs is largely latent, and the touted policy goal of doubling farmers' income remains unachieved by a large majority of rural agricultural households. The suggestions given by the FPO members themselves ranging from setting up processing units, increasing availability of credit facilities, easing registration procedures, to holding awareness programmes provide a member-driven realistic policy intervention roadmap. The suggestions articulated by the FPO members themselves from creating processing units, increased access to credit, simplified registration procedures and awareness programmes to creating suitable policies and infrastructural facilities, can be of great help for policy interventions by the government and implementing agencies, therefore, the implementing agencies, NABARD, SFAC as well as agriculture departments in the states must prioritize infrastructural development, rationalize administrative processes and the financial inclusion schemes under the FPO framework. Capacity-development programmes and regular awareness initiatives must be institutionalized to keep members abreast of the available services. Sustained, targeted support – financial

and technical – based on the ground realities as experienced by the members, must be forthcoming for the FPOs to become truly vibrant, self-sustaining enterprises capable of spearheading inclusive and resilient agricultural growth across India.

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