

WHETHER FPOS ARE SUSTAINABLE ALTERNATIVE TO EXPORT THE FARM PRODUCE FOR SMALL & MARGINAL FARMERS?

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ABSTRACT

Small and marginal farmers deal with a number of challenges in exporting their produce. These challenges mainly include high costs of exporting, longer time to export the produce, lack of knowledge and skills for export the produce, unaware about the benefits of FPOs or how to form the FPO as well as poor access to the markets for potential export opportunities of their produce. FPOs can help small and marginal farmers to overcome these challenges primarily by providing access to better markets, improving bargaining power, offering reduced transaction costs, helping farmers to meet quality standards, providing training, technical assistance, providing financial assistance and access to market information. With the right support from governments and other stakeholders, FPOs can play a major role in the growth of the agronomic sector & the rural economy. The ways in which FPOs can be further developed are financial & technical assistance to FPO and creating policies for supporting the development of FPO by government. Beside this other stakeholders, such as private companies and non-governmental organizations, can also provide support to FPOs via partnership or strategic alliance root. FPOs can help to ensure that small and marginal farmers can benefit from the opportunities that export markets offer.

Keywords: FPO, Small & marginal farmers, rural economy and strategic alliance

1. INTRODUCTION

Agriculture remains a cornerstone of many economies, particularly in developing nations like India, providing livelihoods for a substantial portion of the population and contributing significantly to GDP. Agricultural exports, in particular, offer a pathway for countries to tap into global markets, generate revenue, and foster economic growth. However, small and marginal farmers, who form the bulk of the agricultural workforce, often face challenges in accessing markets and meeting international quality standards, hindering their participation in export markets. Small farmers play a vital role in the agricultural sector of many countries. However, they often face challenges in marketing their produce, particularly in the export market. Farmer Producer Organizations (FPOs) can be a viable option for small farmers to export their produce.

FPOs are a type of collective enterprise that brings together small farmers to pool their resources and market their produce more effectively. By working together, FPOs can negotiate better prices with buyers, reduce the costs of exporting, and improve the quality of their produce. They can also provide small farmers with access to market information and technical assistance. A number of real time examples have shown that FPOs can be effective in helping small farmers export their produce. For example, a study by the World Bank found that FPOs in India had helped to increase the export earnings of small farmers by a considerable amount.

1.1 Obstacles confronting FPOs :

FPOs encounter various obstacles when exporting, including:

- **Limited Awareness:** Various small farmers may not be fully informed about the advantages of FPOs or the procedures involved in establishing a thriving FPO.
- **Lack of financial resources:** FPOs often need financial assistance to get started and to operate.
- **Lack of government support:** Governments can play a role in supporting FPOs by providing them with financial assistance, technical assistance, and market information.
- **Lack of Quality visionary leadership:** FPO is the group of mostly small farmers. In this group there is a representative that represents the complete FPO. In such condition the proper leadership is mandatory. It is also noteworthy that this leadership should have their vision and mission statement clear. And the fellow members of this FPO should abide the decision actively and properly.

Despite these challenges, FPOs have the potential to be a valuable tool for small farmers who want to export their produce. By overcoming the challenges and working together, FPOs can help small farmers to get a better deal for their produce and to access new markets. This paper will discuss the advantages of FPOs for small farmers who want to

export their produce. It will also discuss the challenges facing FPOs in exporting and how these challenges can be overcome. Finally, the paper will provide some recommendations for how governments can support FPOs in exporting. According to the Small Farmers' Agri-Business Consortium (SFAC) report of August 23, 2023, Maharashtra has 210 allocated Farmer Producer Organizations (FPOs) and 181 registered FPOs, with another 29 FPOs under the process of registration in the stand-alone state of Maharashtra.

1.2 Range of Farmer Producer Companies (FPCs) in India

Farmer Producer Companies (FPCs) have arisen as a dynamic and versatile form of business organization in India, catering to a diverse range of agricultural and non-agricultural activities. By uniting producers into a collective entity, FPCs empower them to enhance their economic viability and market access.

1. **Production Businesses:** These FPCs engage directly in the production, procurement, or manufacturing of primary produce, such as crops, livestock products, or handicrafts. They play a crucial role in aggregating and processing produce, ensuring quality control, and expanding market reach for their members.

2. **Marketing Businesses:** Marketing FPCs specialize in promoting and selling primary produce or providing educational services. They assist producers in identifying market opportunities, developing effective marketing strategies, and establishing strong brand identities. By connecting producers directly to buyers, they eliminate intermediaries and enhance profit margins.

3. **Technical Service Businesses:** Technical service FPCs focus on providing educational and advisory services to producers. They offer training programs on improved agricultural practices, sustainable farming techniques, and post-harvest management. They may also conduct research and development initiatives to introduce new technologies and enhance productivity.

4. **Financing Businesses:** Financing FPCs act as intermediaries between producers and financial institutions, facilitating access to credit and other financial resources. They provide loans, subsidies, and other financial instruments to support producers' investments in infrastructure, technology, and market expansion.

5. **Infrastructure Businesses:** Infrastructure FPCs specialize in providing essential infrastructure facilities to producers, such as irrigation systems, storage facilities, transportation networks, and renewable energy solutions. They play a critical role in reducing post-harvest losses, improving product quality, and enhancing overall productivity.

The diverse range of FPC types reflects the adaptability and versatility of this business model. By addressing the specific needs of different producer groups, FPCs contribute significantly to the growth and sustainability of the Indian economy.

2. OBJECTIVES

Objectives for the research paper:

- 1) To identify the advantages of FPOs for small farmers who want to export their produce.
- 2) To explore the challenges facing FPOs in exporting and how these challenges can be overcome.
- 3) To provide recommendations for how governments can support FPOs in exporting.

3. LITERATURE REVIEW

3.1 (Vinayak Nikam, 2019) highlighted the significance of Agriculturalist Producer Organizations (FPOs) in addressing the challenges faced by small farmers, such as resource limitations and inadequate services. FPOs play a crucial role in organizing and mobilizing small farmers, offering them enhanced market access, increased bargaining power, and better access to information. Small-scale farmers often encounter issues like inadequate infrastructure, limited access to assets and services, and low market involvement. FPOs serve as a bridge between these farmers and the broader agricultural ecosystem, establishing both forward and backward linkages. However, in Maharashtra, FPOs often operate in isolation, lacking robust connections with public and other organizations. The benefits of FPOs extend to various aspects, encompassing input support, production enhancements, improved marketing and post-harvest processes, as well as societal and environmental advantages.

FPOs with a strong membership base and clear objectives can amplify the voices of farmers, thereby influencing agricultural policies and interactions with both public and private sector entities. The key functions of FPOs involve member mobilization, provision of support and services, and establishing connections with external organizations. The analysis in this study involved four major stakeholders.

3.2 (RR Nirgude, 2020) suggests in his research that Farmer-producer organizations (FPOs) are agricultural cooperatives that offer services like input aggregation, output marketing, access to finance, and capacity building to enhance the economic well-being of their members. Economic benefits of FPOs include increased income, reduced costs, improved market access, and increased bargaining power for members. The Abhinav farmers group in Narayangaon, Pune, India, exemplifies the advantageous effects of Farmer Producer Organizations (FPOs) on member

economics, demonstrating cost reductions and income gains. In addition to economic benefits, FPOs also provide social advantages, such as increased social capital, women's empowerment, and improved livelihoods. FPOs hold promise for enhancing the economic and social conditions of smallholder farmers.

3.3 In (Theresa Bäuml, 2022) research on small-scale farmers in Kosovo participating in producer organizations (POs) within export-oriented value chains, several motivating factors were identified. These factors include access to new markets and higher prices, enhanced bargaining power, reduced costs and risks, access to training and support, and social benefits like increased social capital and empowerment. Additionally, the study emphasizes the significance of effective PO governance and management in encouraging farmer participation. In essence, Bäuml's study offers valuable insights into the incentives driving small-scale farmers to collaborate in POs within export-oriented value chains, with the potential to improve their economic and social well-being.

3.4 (Sumanth, 2019) suggested that Farmer Producer Organizations (FPOs) are agricultural cooperatives designed to enhance the economic well-being of their members. They offer services such as input aggregation, output marketing, access to finance, and capacity building. FPOs have proven to yield economic advantages, including higher income, cost reduction, better market access, and increased bargaining power for their members. In summary, FPOs present a promising strategy for uplifting smallholder farmers economically.

3.5 In a study by (Sudip Kumar Gorai, 2022) on Farmer Producer Organisation (FPOs) from West Bengal, India, the factors contributing to FPO stability were identified. Essential elements for a successful team include member contentment, unwavering trust, clearly defined roles, a strong sense of belonging and dedication among members, and a feeling of ownership. These findings indicate that FPOs can enhance their stability and success by emphasizing trust, clarity, and commitment among their members. In India, Farmer Producer Organizations (FPOs) have been established to uplift the economic status of smallholder farmers. These member-owned organizations offer services like input aggregation, output marketing, financial access, and capacity building. Research has indicated that FPOs can benefit members by increasing income, reducing costs, improving market access, and enhancing bargaining power. However, FPO performance varies by region.

3.6 (Navya D, 2022) study in Telangana state demonstrated that FPOs positively impacted members' economic well-being. They reduced costs through bulk input discounts and affordable transportation and storage. FPOs also facilitated income growth by accessing new markets and securing better prices for farmers' produce. This study underscores the effectiveness of FPOs in improving the economic conditions of smallholder farmers in Telangana state.

3.7 (C. Thamban, 2020) study highlighted challenges faced by 'neera' producer organizations in Kerala, such as inadequate institutional support, high wages for 'neera' technicians, and market demand fluctuations. Consequently, many FPOs ceased 'neera' production. The study recommends enhancing sustainability through sustained institutional support, improving technicians' skills, and exploring new 'neera' product markets. Farmer Producer Organizations (FPOs) have a significant positive impact on smallholder dry chillies farmers in India by enhancing their income and reducing poverty.

3.8 A study conducted by (K. Nirmal Ravi Kumar, 2023) revealed that there was an increase in their annual agricultural income compared to non-members. FPOs achieve this by facilitating cost reduction through bulk input discounts, affordable transportation, and storage options. Moreover, they empower farmers to access new markets and secure better prices for their produce. FPOs also provide training and resources, further improving the livelihoods of small-scale farmers.

3.9 In West Bengal, (Sayanton Mondal, 2021) suggested that the Farmer Producer Organizations (FPOs) have seen substantial growth and they are now present in all 23 districts of the state. FPOs empower smallholder farmers by offering services like input aggregation, output marketing, financial access, and capacity building. This support reduces costs, raises income, and enhances farmers' bargaining power. Furthermore, FPOs contribute to sustainable agriculture and food security by introducing new technologies and best practices, increasing productivity, and reducing environmental impact. They also open doors to new markets, enabling farmers to sell their produce at higher prices, thereby improving their livelihoods. In conclusion, FPOs hold great promise for enhancing the economic and social well-being of smallholder farmers in West Bengal, and the state government is actively supporting their growth through financial assistance and training programs.

3.10 (Kumar, 2023) Mentions in his research that the Farmer Producer Organisations (FPOs) in Guntur District, Andhra Pradesh, enhance rice farmers' technical efficiency, as evidenced by a study showing FPO farmers achieve considerable technical efficiency compared to their old technical efficiency for non-FPO farmers. Farmer Producer Organizations (FPOs) empower farmers by facilitating access to high-quality inputs, comprehensive training, and dedicated extension services, ultimately leading to enhanced productivity, increased income, and improved regional food security.

3.11 (Nandhaanaa Nallusamy Ilango, 2021)'s study examining the cost and return of black gram cultivation among Farmer Producer Organizations (FPOs) in Tamil Nadu, India, revealed that human labor, seeds and fertilizers, and irrigation were the primary cost components. The study concluded that FPO membership can lead to significant benefits for black gram farmers, including lower input costs, higher output prices, and access to credit. FPOs can also help farmers to adopt new technologies and best practices, which can improve productivity and reduce environmental impact. FPO membership can lead to significant benefits for black gram farmers, including lower input costs, higher output prices, and access to credit. FPOs can also help farmers to adopt new technologies and best practices, which can improve productivity and reduce environmental impact.

3.12 The paper by (Dilip Rasiklal Vahoniya, 2022) explores Farmer Producer Organizations (FPOs), which are agricultural cooperatives operating as Farmer Producer Companies (FPCs). FPOs aim to enhance the economic well-being of their members by providing services like input aggregation, output marketing, financial access, and capacity building. FPOs are instrumental in empowering smallholder farmers by reducing costs, increasing income, and strengthening their bargaining position. They also encourage sustainable agriculture and food security through the adoption of new technologies and best practices. Vahoniya's paper offers a comprehensive overview of FPOs, highlighting their benefits for smallholder farmers and addressing the challenges they face. Additionally, the paper proposes policy measures to foster the growth and development of FPOs.

Overall, the literature review suggests that FPOs are a promising tool for improving the economic and social condition of smallholder farmers. **Nevertheless, various obstacles hinder their ability to fully reach their potential.**

4. THEORETICAL FOUNDATION AND DEVELOPMENT OF THE CONCEPT

4.1 Importance of Agricultural Exports

Agricultural exports hold immense importance for both individual farmers and national economies. For farmers, engaging in export markets provides opportunities to expand their market reach, enhance their income, and improve their livelihoods. By exporting their produce, farmers can fetch higher prices for their crops, leading to increased disposable income and the ability to invest in better agricultural practices and technologies.

At the national level, agricultural exports contribute to economic growth and stability in several ways. They generate foreign exchange reserves, which can be utilized to finance imports of essential goods and services. Agricultural exports also create employment opportunities, both directly in the production and export sectors and indirectly in related industries such as transportation, logistics, and marketing.

4.2 Role of Farmer Producer Organizations (FPOs) in Agricultural Exports

Farmer Producer Organizations (FPOs) have emerged as key players in enhancing the competitiveness of agricultural exports, particularly for small and marginal farmers. FPOs are collectives of farmers, formed to aggregate their produce, access better markets, and adopt improved production and post-harvest practices. By acting as a collective entity, FPOs can overcome the scale disadvantages faced by individual farmers and effectively engage with buyers and exporters.

FPOs play a crucial role in linking small farmers to export markets by providing them with access to market information, technical expertise, and financial resources. They also facilitate bulk procurement of inputs at competitive prices, reducing the cost of production for farmers. Additionally, FPOs promote the adoption of improved agricultural practices and post-harvest handling techniques, leading to higher quality produce that meets international standards.

4.3 Case Studies of FPOs' Success in Agricultural Exports

Numerous examples showcase the success of FPOs in promoting agricultural exports and improving the livelihoods of small farmers. In India, for instance, the Sahyadri Farmers Producer Company (SFPCL) has successfully exported grapes, mangoes, and pomegranates to various countries in Europe and the Middle East. The company has achieved this success by aggregating produce from over 5,000 farmers, providing them with technical training and market linkages, and ensuring compliance with international quality standards.

Another notable example is the Organic Farmers Association of Thailand (OFAAT), which has been instrumental in promoting the export of organic rice from Thailand. OFAAT has assisted over 50,000 farmers in converting to organic farming practices and has facilitated the export of organic rice to various markets in Europe, North America, and Asia.

4.4 Benefits of FPOs to Small Farmers w.r.t Exports:

Farmer Producer Organizations (FPOs) are a type of collective enterprise that brings together small farmers to pool their resources and market their produce more effectively. FPOs can provide small farmers with a number of advantages when it comes to exporting, including:

- **Increased bargaining power:** By working together, FPOs can negotiate better prices with buyers.

- **Reduced transaction costs:** FPOs can help to reduce the costs of exporting, such as the cost of transportation and marketing.
- **Improved quality control:** FPOs can help to ensure that the produce they export meets the required standards.
- **Access to market information:** FPOs can help small farmers to get access to information about export markets, such as prices and demand.
- **Technical assistance:** FPOs can provide small farmers with technical assistance, such as help with grading and packaging their produce.

4.5 A Model for Assessing the Benefits of Farmer Producer Organizations (FPOs) for Agricultural Exports from Developing Countries

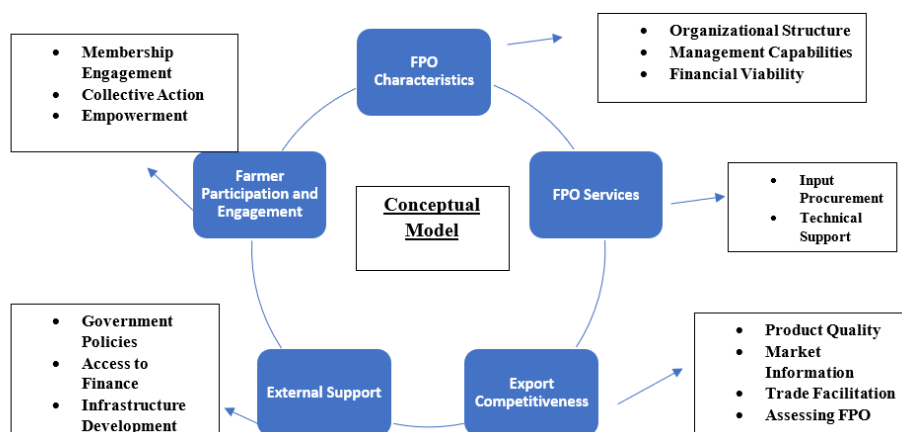


Figure 1. A Model for Assessing the Benefits of Farmer Producer Organizations (FPOs) for Agricultural Exports from Developing Countries

4.5.1 Conceptual Model

The proposed model consists of five key dimensions that influence the impact of FPOs on agricultural exports:

4.5.1.1 FPO Characteristics:

Organizational Structure: The legal structure, governance framework, and membership base of the FPO significantly impact its ability to function effectively.

Management Capabilities: The skills, experience, and leadership qualities of the FPO's management team are crucial for strategic planning, resource allocation, and performance management.

Financial Viability: The FPO's financial sustainability depends on its ability to generate revenue from membership fees, market sales, and external grants or investments.

4.5.1.2 FPO Services:

Input Procurement: FPOs can aggregate demand for inputs, negotiate better prices with suppliers, and ensure the timely delivery of quality inputs to farmers.

Technical Support: FPOs can provide training and extension services to farmers on improved agricultural practices, crop protection, and post-harvest management techniques.

Market Linkages: FPOs can connect farmers directly to buyers and exporters, eliminating intermediaries and ensuring better market access for farmers.

4.5.1.3 Farmer Participation and Engagement:

Membership Engagement: The level of active participation and engagement of farmers in the FPO's activities and decision-making processes is essential for its success.

Collective Action: FPOs foster collective action among farmers, enabling them to address common challenges, negotiate better prices, and pursue shared goals.

Empowerment: FPOs empower farmers to take ownership of their agricultural activities, make informed decisions, and advocate for their interests.

4.5.1.4 External Support:

Government Policies: Supportive government policies can foster the creation and growth of FPOs, setting the stage for their flourishing success.

Access to Finance: FPOs require access to affordable credit and financial services to support their operations and investments.

Infrastructure Development: Adequate infrastructure, including transportation networks, storage facilities, and market infrastructure, is crucial for facilitating the movement and sale of agricultural produce.

4.5.1.5 Export Competitiveness:

Product Quality: FPOs can promote the adoption of improved agricultural practices and post-harvest handling techniques to enhance product quality and meet international standards.

Market Information: FPOs can provide farmers with access to market information, including export requirements, price trends, and potential buyers.

Trade Facilitation: FPOs can assist farmers in navigating trade regulations, obtaining necessary certifications, and complying with export procedures.

Assessing FPO Benefits: The impact of FPOs on agricultural exports can be assessed by evaluating their performance against the five key dimensions outlined in the model. Data can be collected through surveys, interviews, and case studies to measure the effectiveness of FPOs in providing services, engaging farmers, and promoting export competitiveness.

4.6 Challenges faced by FPOs in Maharashtra

However, FPOs in Maharashtra also face a number of challenges, including:

- Limited knowledge among farmers regarding the advantages of FPOs
- Limited access to finance and other resources
- Weak institutional capacity
- Competition from traditional intermediaries

While there are challenges faced by FPOs in Maharashtra, they hold immense potential to revolutionize the agricultural landscape and uplift the lives of smallholder farmers. The state government is proactively fostering the growth of FPOs through a range of measures, including providing financial aid, training, and technical assistance.

5. IMPLICATIONS & RECOMMENDATIONS

5.1 Implications:

Farmer Producer Organizations (FPOs) hold immense promise in enhancing the livelihoods of small-scale farmers across Maharashtra and other regions of India. Sustained support from the government and other stakeholders is crucial for the continued growth and development of FPOs. Empowered with the necessary backing, FPOs can make a substantial contribution to the advancement of the agricultural sector and the overall rural economy.

5.1.1 Methods for developing the FPOs

The following are some of the ways in which FPOs can be further developed:

- Governments can provide financial assistance to FPOs.
- Governments can provide technical assistance to FPOs.
- Governments can create policies that support the development of FPOs.
- Other stakeholders, such as private companies and non-governmental organizations, can also provide support to FPOs.

By working together, governments, other stakeholders, and FPOs can help to ensure that small and marginal farmers can benefit from the opportunities that export markets offer.

5.2 Recommendations:

- The Govt. can formulate policies where in the FPOs' can connect with the govt. embassy or some dept settled their abroad to assist the FPO find the better buyer abroad. This will ease the process of finding the trustworthy buyer for the FPO which is authentic and will not refuse to accept the delivery once the goods successfully reach the buyers destination port. This will result in the FPO yield a better prices for their commodities. And explore the better market abroad.
- Initiatives should be taken by the government to educate Small farmers regarding the benefits formation of FPO and making the extensive use of FPO. In order to yield the proper benefits of FPO its awareness should be spread time to time.

Various different interesting scheme should be made by the government from time to time for the FPO. Which provide the farmers with the benefits in terms of financial assistance and other benefits which will attract the small farmers to make extensive use of FPOs'.

6. CONCLUSION

Agricultural exports hold immense significance for both individual farmers and national economies. Farmer Producer Organizations (FPOs) have emerged as crucial players in enhancing the competitiveness of agricultural exports, particularly for small and marginal farmers. By aggregating produce, providing market linkages, and promoting improved agricultural practices, FPOs empower small farmers to participate effectively in export markets, leading to increased income, improved livelihoods, and economic growth.

By empowering smallholder farmers, Farmer Producer Organizations (FPOs) have the potential to significantly boost agricultural exports from developing nations. By providing a comprehensive framework for assessing the benefits of FPOs, this model can guide policymakers, FPO leaders, and development organizations in designing and implementing effective FPO-led export promotion strategies.

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