

## FPOs: FARMER PRODUCER ORGANISATIONS IN INDIA

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### Abstract:

Farmer Producer Organisations (FPOs) are cooperative structures formed by small and marginal farmers to improve their access to inputs, credit, markets, and value-added services. This article explores the role of FPOs in India, focusing on their benefits, challenges, and the impact of the government's "Formation & Promotion of 10,000 FPOs" scheme. Studies indicate that effective FPOs can enhance farmer income, reduce risks, and strengthen rural livelihoods. Drawing insights from recent research, it highlights the benefits of collective farming, constraints to sustainability, and policy recommendations to enhance the effectiveness of FPOs.

**Keywords:** Farmer Producer Organisation, FPO, marginal farmers, government scheme, value addition.

### Introduction:

Agriculture in India is predominantly practiced by small and marginal farmers who face numerous challenges, including fragmented land holdings, limited access to credit, low bargaining power, and difficulties in marketing their produce. These constraints often result in low income and heightened vulnerability. FPOs have emerged as an innovative solution to these problems. By forming legally registered entities, farmers can pool resources, purchase inputs collectively, aggregate their produce, add value, and market products more effectively. FPOs aim to shift farmers from subsistence production to organized business participation.

The Government of India has supported FPO growth through the "Formation & Promotion of 10,000 FPOs" scheme, launched in 2020. This initiative seeks to create 10,000 FPOs across the country by providing financial assistance, technical support, capacity building, and credit guarantees

## Understanding Farmer Producer Organisations (FPOs):

FPOs are legally registered entities formed by a group of farmers with a common objective to improve their agricultural business operations. These organisations can take the form of producer companies, cooperatives, or societies. They aim to enhance farm incomes by



providing access to inputs, technology, finance, and markets.

According to Nikam et al. (2019), FPOs enable small farmers to reduce transaction costs, negotiate better prices, and achieve economies of scale, which are otherwise not possible individually. By collectively handling production, procurement, and marketing, FPO members gain a stronger voice in the market and increased opportunities for value addition.

## Factors Contributing to FPO Success:

Research indicates that several key factors determine how well an FPO performs:

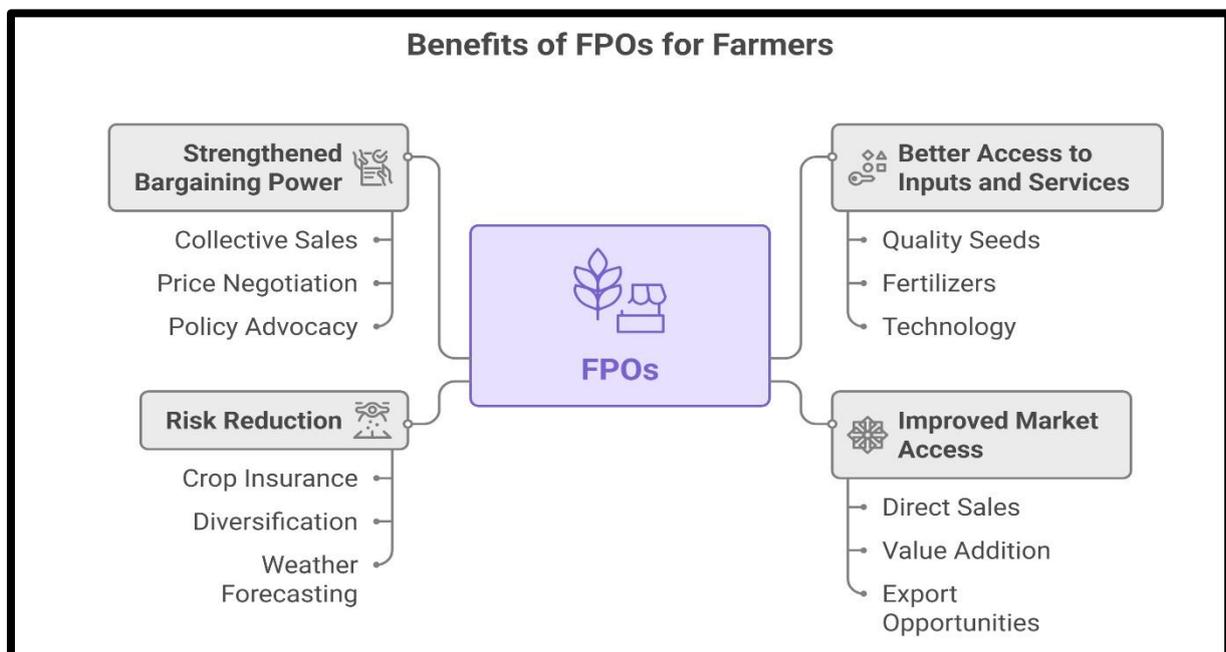
- **Size and membership:** Larger FPOs with more active members and higher paid-up capital tend to perform better. Studies of 125 FPOs across India show that organisations with more members and experienced leadership achieve higher turnover (Kumar et al., 2023).
- **Diversified activities:** FPOs that engage in multiple functions—such as input supply, production aggregation, processing, and marketing—tend to be more successful. Anand et al. (2023) found that FPOs active for more than five years with diversified business activities had effectiveness rates of 60–68%, compared to 50–56% for less diversified, younger FPOs.
- **Legal structure and governance:** A professional management structure, clear governance policies, and strong external linkages with markets, buyers, and support agencies are essential for sustainability (Patel et al., 2025).
- **Access to finance:** Adequate capital and financial support allow FPOs to invest in infrastructure, working capital, and value-added processes.

In short, FPOs are more likely to succeed when they have a solid member base, good management, diversified activities, and financial support.

## Benefits of FPOs for Farmers:

FPOs offer multiple advantages to their members:

- **Better access to inputs and services:** By pooling demand, FPOs can procure seeds, fertilizers, machinery, and other inputs at lower costs. They also provide training and technical support (Nikam et al., 2019).
- **Improved market access:** Collective marketing ensures better price realization and reduces dependence on middlemen. Studies in Andhra Pradesh indicate that FPO members received 2–5% higher prices for crops and an increase of 30–40% in overall income.
- **Risk reduction:** FPOs help share production and market risks among members, providing more stability.
- **Strengthened bargaining power:** Members can negotiate better with buyers, input suppliers, and service providers.



These benefits highlight that FPOs are not just cooperative groups but strategic business units that empower small farmers.

## Challenges Faced by FPOs:

Despite their potential, FPOs face several barriers:

- **Marketing difficulties:** Limited market access, price fluctuations, lack of storage, and weak buyer linkages restrict profitability (Banik et al., 2024).
- **Financial constraints:** Many FPOs struggle to obtain working capital and credit. The lack of consistent financing is a major factor affecting their performance (Kumar et al., 2023).
- **Limited diversification and initial struggle:** New FPOs or those engaged only in input supply often face lower effectiveness and sustainability issues (Anand et al., 2023).

- **Infrastructure limitations:** Fragmented land, poor storage, and transport challenges reduce the potential for large-scale operations and value addition (Patel et al., 2025).
- **Governance and management issues:** Weak leadership, lack of transparency, and insufficient professional skills can hinder growth.
- **Dependence on grants:** Many FPOs rely heavily on government funding for formation, raising concerns about long-term viability.

Addressing these challenges is crucial for ensuring that FPOs deliver sustained benefits to farmers.

### Government Scheme: “Formation & Promotion of 10,000 FPOs”

The Government of India launched this scheme to strengthen farmer collectives by providing:

- **Financial support:** Up to ₹18 lakh per FPO for formation and management, including equity grants to members and credit guarantee support.
- **Capacity building:** Training, hand-holding, and professional guidance to help FPOs operate efficiently.
- **Membership requirements:** Minimum of 300 farmers in plain areas and 100 in hilly/NE regions.
- **Cluster approach:** Promotion of “One District-One Product” (ODOP) for focused production and marketing.

This scheme addresses key factors identified by research, such as capital, membership, diversification, and professional management.

### Integrating Research Insights with Policy:

The scheme aligns with findings from recent studies:

- FPOs with higher membership and capital perform better (Kumar et al., 2023).
- Professional support during early years enhances long-term effectiveness (Anand et al., 2023).
- Cluster-based approaches encourage product specialization and market alignment.

While the scheme addresses formation and capacity challenges, ongoing support for marketing, infrastructure, and governance remains critical.



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**ANOTHER LANDMARK INITIATIVE TO DOUBLE FARMERS' INCOME**  
Promoting agriculture by Farmer Producer Organizations (FPOs)

SCHEME	UPDATE
<ul style="list-style-type: none"> <li>10,000 FPOs to be formed in 5 years (2020-24)</li> <li>30 lakh farmers to benefit from FPOs</li> <li>Rs 6,865 crore allocated for formation and hand-holding of FPOs</li> </ul>	<ul style="list-style-type: none"> <li>910 FPOs registered in just four months</li> <li>Over 8.62 lakh farmers registered under FPOs</li> <li>NABARD and NCDC to provide Rs 1500 crore under credit guarantee facility</li> </ul>

### Recommendations:

To strengthen FPOs further, the following steps are recommended:

- i. Develop market infrastructure and linkages.
- ii. Build professional management and leadership capacity.
- iii. Encourage value addition and diversification of activities.
- iv. Ensure access to long-term finance beyond grants.
- v. Promote inclusion of women, youth, and marginal farmers.
- vi. Tailor support for challenging regions and crops.
- vii. Monitor and evaluate FPO performance regularly.
- viii. Foster cooperative clusters to enhance efficiency and competitiveness.

These measures can improve sustainability and ensure that FPOs continue to benefit small farmers.

### Conclusion:

FPOs have the potential to transform Indian agriculture by empowering small and marginal farmers. Their success depends on strong governance, diversified activities, financial stability, and effective market linkages. Government initiatives like the Formation & Promotion of 10,000 FPOs scheme provide a strong foundation, but long-term sustainability requires continuous support, capacity building, and policy alignment. By adopting best practices and addressing challenges, FPOs can help small farmers increase incomes, reduce risks, and participate actively in the agricultural economy.

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