Farmer-FPC Connect in a Transforming Agricultural Landscape Key Insights and Way Forward

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Abstract

The importance of farmer collectives cannot be overlooked in the context of enabling farmers to participate in agricultural value chains. Given the fragmenting bottom of the Indian agriculture with more than 85 percent of the farmers operating on less than 2 hectares of land, and consolidating top of organized wholesale, retail, and processing players, collectives have been enabling successful linkages. India has a long history of such collectives that have empowered farmers to participate and benefit from high value agricultural chains such as dairy, poultry, and horticulture. However, there are several gaps at the organizational and functional levels of the collectives that need to be addressed through appropriate policy efforts that can enhance the effectiveness of such collectives. This paper focusses on the role of farmer producer companies (FPCs) in enabling farmers to participate in vegetable chains. While there is tremendous potential of the FPCs in linking farmers to the markets, some of the challenges confronting these FPCs need to be addressed. The study was conducted in selected areas of Haryana, Delhi, and Rajasthan where there is a lot of policy focus on promoting FPCs not just to strengthen farmer-market linkages but also drive agricultural diversification, and encourage farmers to adopt environmentally sustainable and safe farming practices.

Key words : *FPC, key services, organizational & functional gaps*

1. Background

The history of the farmer collectives in India dates back to the co-operatives in the early 1900s (Shah 2016). Since then, several forms of collectives evolved in the agricultural landscape, and include self-help groups, primary agricultural societies, natural resource management groups, informal farmer groups, and farmer producer companies. Indian agriculture is characterized by the fragmenting bottom of Indian agriculture with more than 85 percent of the farmers operating on less than 2 hectares of land, and consolidating top of organized wholesale, retail, and processing players. Herein, collectivization

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of farmers and representing the interests of the farmers allows them to overcome their individual challenges and participate in agricultural chains. With policies aimed at greater market liberalization, development of modern supply chains, stringent quality norms and standards for food safety, among others, the farmer collectives have a greater role to play in linking the farmers to these modern, organized value chains. The launch of the Farmer Producer Company (FPC) in India is a step towards overcoming the limitations of the farmer co-operatives.

India witnessed the emergence and “steady deepening of participatory institutions” such as the co-operatives, natural resource management groups and self-help groups, and this trajectory created the space for member owned organizations (Sharma 2010). The journey from the co-operatives to the farmer producer companies has been well studied (Bikkina, Turaga, and Bhamoriya 2017, Singh and Singh 2013, Shah 2016). The co-operatives suffered from excessive political influence, lack of business orientation, underrepresentation of the farmers’ interests, elite capture, undemocratic practices, and opacity in governance and regulations (Attwood and Baviskar 1987, Shah 1995, Singh and Singh 2013). The FPCs are envisioned as institutions that can empower the farmers with decision making authority, and titles to assets through the bottom-up approach. The FPCs that are established from existing groups such as the watershed committee as studied by (Bikkina, Turaga, and Bhamoriya 2017) help better manage cohesion among the members. Also, a large representation of marginal and small farmers is effective against power asymmetries (Attwood and Baviskar 1987). These institutions are effective in creating new market linkages for the farmers, particularly for commodities that experience expanding niche demand (Trebbin and Hassler 2012).

The evolution of FPCs in India has been a catalytic phenomenon driven by the promoting agencies and not so much demand driven (NABCONS 2011). The primary producers are not likely to volunteer to set up a FPC (Bhattacharya 2010), which impacts the sustainability of these institutions. The role of the promoting agencies in setting up the FPCs resulted in significant influence on the appointment of professional managers, decisions of the Board of Directors (BoD), and the operations of the FPC (Ibid.). The promoting agencies have a greater role in ensuring the long-term viability of the FPCs by strengthening the governance and management practices (Amitha et. al. 2021) as well as cultivating the ownership spirit of the primary producers and bringing on board professional managers (Bhattacharya 2010). The Producer Organizations Promoting Institutions (POPIs) continue to play a critical role in handholding the FPCs to manage their business operations, and guide the BoD in their decision-making process. In many cases, the POPIs lack market and business orientation as well as are short of trained human resources to help the FPCs engage in agribusiness activities effectively (IRMA-NABARD 2022). Also, the influence of the POPIs overrides the democratic election of the BoD, and together with other influential local entities have adverse impact on the democratic functioning of the FPCs (Badatya, Ananthi, and Sethi 2018). (Shah 2016) studied that majority of the FPCs started their operations akin to those of the traders with presumably greater efficiency and transparency, and lacked design thinking, and ability to grow sustainably.

As studied by (Singh and Singh 2013 and NABCONS 2011), some of the major challenges confronting the FPCs in India are poor professional management of the companies, lack of business plan, lack of credit worthiness that hinders their access to working capital and bank loans, registration and compliance related issues, and difficulties in hiring and retaining professional managers. The authors also studied that the incentives such as exemption from income tax, and land lease at nominal rate or free available to the co-operatives are not available to the FPCs, which adversely impacts their ability to jump start. The (NABCONS 2011) study found that due to the tiered organizational structure of the FPCs studied, the primary producers are not the direct members of the FPC, which made it difficult for the primary producers to understand the role of the FPC, and the potential gains that could benefit the primary producers. (Badatya, Ananthi, and Sethi 2018) studied that majority of the shareholders are not well connected with the FPCs, and hence are unaware of the vision and targets of the FPCs. The FPCs are often perceived as co-operatives and self-help groups. Studies have pointed out to low participation of member farmers in the annual general meetings of the FPCs, which are conducted mostly on a regular interval (NABCONS 2011, Badatya, Ananthi, and Sethi 2018). This impacts the democratic decision-making capacity of the FPCs. Another serious challenge confronting the FPCs is the lack of planned process driven operations. While the FPCs aggregate the supplies from the member farmers and market the produce based on demand, they often lack a formal process (Bikkina, Turaga, and Bhamoriya 2017).

The FPCs have been instrumental in enabling the primary producers overcome market imperfections related to fair price discovery, assaying, and weighment issues, and in many cases benefited from higher prices, and assured markets. However, sustainability of these companies will depend on further value addition, branding and integration of the commodity value chain (NABCONS 2011). The long-term sustainability of the FPCs will be determined by their ability to scale up operations as well as diversify their business portfolio to address the risks involved in agriculture (Bhattacharya 2010).

These institutions are unable to raise bank loans because of the small scale of operations, and thereby are unable to hire skilled managers, and expand their business (Ibid, Trebbin and Hassler 2012). With a small capital base to begin with, most of the FPCs are unable to mobilize the margin money for commercial loans, also lack collaterals, and credentials of successful business entities, which hinders their capacity to avail bank loans (Mondal 2010).

The FPCs were introduced to overcome the challenges of the co-operatives, and bring about a business approach to agriculture, without losing the grass root, bottom-up spirit of working as a community. Several research findings on the progress of the FPCs in India, and the future roadmap raises a key question about the role of the government in supporting the FPCs. While it is understood that excessive government control and political interference resulted in the decline of the co-operatives, there is a need to strike a balance (Badatya, Ananthi, and Sethi 2018, Trebbin and Hassler 2012). The government has an important role to play in supporting the FPCs at the early stages of inception through financial grants, tax exemptions for a limited time period, and training and capacity building services for the BoD of the FPC and other farmer members as well (Ibid). The donor agencies through their grant support at the early stage are critical for the long-term viability of the FPCs. Also, developing the FPCs is an investment intensive proposition, which needs to be mobilized and made available to the FPCs and could be factored into the program costs (Bhattacharya 2010). To ensure that the FPCs begin their business without too much capital requirement, some interesting experiences were studied by (Mondal 2010), and suggested that FPCs could begin with dealership of seed, fertilizer, farm machinery and equipment, and market the inputs to both member and non-member farmers. This would allow them to market the inputs on a large scale and earn decent margins to add to the capital base. The FPCs could facilitate farmer buyer purchase from the farm gate, which did not entail to any costs to the FPCs. (Singh 2020) found that the FPC are managed and run in a more top-down centralized policy driven approach rather than a bottom-up decentralized community driven approach, which explains the unsustainable progress of the FPCs.

2. Research context

The research on farmer-FPC connect in a transforming agricultural landscape- was a part of the overarching research study that focused on the farmers' experience in a participating in high value vegetable value chains in the changing policy environment. The current research was conducted in selected areas of Haryana, Delhi, and Rajasthan that have witnessed a rise in the number of FPCs following the Central Government Scheme to increase the number of FPCs. Also, the policy vision of each state government to promote agricultural diversification, encourage farmers to adopt sustainable farming practices, as well as strengthen the participation of farmers in agricultural markets is important. The disruptions created by the Covid-19 pandemic also make collectivization pertinent to ensure inclusive growth.

The selected areas had large belts of horticulture farming with most of the farmers intercropping horticulture with cereals, pulses, and oilseeds, and some of the farmers ventured into natural farming as well. Given the proximity to surrounding urban markets in Gurgaon, Faridabad, Delhi, and Jaipur, it made an interesting case to study if the push for diversification into horticulture at the policy level was sustainable in terms of environmental and market related factors. The regions included in the study being closer to the epicentre of the farmer protests following the enactment of the Farm Laws in 2020 and the fierce stand-off, provided interesting insights related to the role of farmer collectives among other important aspects.

The research study includes six FPCs from the districts of Charkhi Dadri (1), and Mewat (4) in Haryana, Sikar (1) in Rajasthan, and Delhi (1). The farmers who were members of the FPCs, did intercropping of vegetables (tomato, potato, leafy vegetables, capsicum, carrots, and chillies), seasonal fruits (watermelon, and musk melons), and pulses, wheat, oilseeds, among other crops. While the FPCs claimed to have a membership of more than 1000 farmers, it was very difficult to validate the numbers as there was no readily available data, and most of the farmers approached for the study as part of the FPCs were either selected from the mental recollection of the Chairman or CEO of the FPC or from the farmers who gathered for FPC meetings and training camps. Also, the purpose of the study was not to evaluate the FPCs per se but to understand their emerging role in the dynamic policy environment in terms of the services they provided, and to what extent the FPCs are ground ready to ensure farmers are able to participate in the agricultural transformation in an inclusive and participatory manner.

The research approach was primarily qualitative to understand the experiences of the farmers in participating in agricultural diversification ranging from farming, value addition, and marketing. Research methods such as non-participatory observations, semi-structured interviews with various actors (including farmers, Board of Directors of FPCs, local traders, and commission agents, and district offices), and focus group discussions were held to collect the qualitative information. The field research was undertaken during the beginning of 2021 to the middle of 2022 when the world was still grappling with the aftermath of Covid-19 pandemic, and beginning to emerge out of it. About 16 in-depth interviews and 4 focus group discussions were undertaken guided by an interview checklist and semi structured interview guidelines. The findings emerged from the interviews, discussions, and exchange of ideas, knowledge, and information. The significance of FPCs in the current study context, in many ways, emerged from the field research, and the qualitative insights were rich enough to come up with a research paper that focussed on the types of services the FPCs offered to the farmers, organizational and operational challenges that stood in the way of these services, the policy challenges, and the way forward to strengthen the FPCs. A literature review was done to give a background of the journey of farmer collectives in India, and the current status of the Farmer Producer Companies that are held as nodal grassroot organizations.

3. Evolving landscape of Farmer Producer Companies in India

The need to further institutionalize the farmer collectives was recognized which led to the introduction of Farmer Producer Organizations (FPOs). In 2010-11, the initiative was launched by the Ministry of Agriculture, and implemented by Small Farmers' Agribusiness Consortium (SFAC). Following the recommendations of the Y K Alagh Committee (1998), the Government of India (GoI) amended the Indian Companies Act 1956 by incorporating a new section IXA in order to enact the amended Producer Companies Act on 6th February 2002 (GoI 2013). A producer company is a corporate entity registered as a private limited company. This legislation allowed the incorporation of co-operatives as companies as well as conversion of the existing co-operatives into companies while retaining the unique elements of the co-operatives. The Companies Act was further revisited in 2013, and the Farmer Producer Company (FPC) was incorporated. Some of the key objectives of the FPCs include doubling farmers' income, incorporating business principles among farmers, and boosting farmer industry relationship for greater rural development through collectivization of farmers, focussing on marginal and small farmers (GoI 2019). Since then, FPOs evolved as grassroot organizations pivotal to linking the farmers to the markets. In February 2021, the Government announced a central sector scheme - Formation and Promotion of 10,000 Farmer Produce Organizations (FPOs) with a budgetary allocation of Rs 6865 crores. Implementing agencies (IAs) through the Cluster Based Business Organizations (CBBOs) will undertake the creation, capacity building and professional management of the FPOs for a period 2 of five years (PIB 2021). The Farm Laws 2020 (repealed in December 2021) accorded a major role to the FPOs to represent and promote the interests of the farmers.

Producer Companies in India originated in Madhya Pradesh supported by the state government under a World Bank project in 2005. Several agencies including NABARD, SFAC, state governments with funding support from donor entities like World Bank, IFAD, among others have been promoting FPOs in India. There are also a number of self-promoted FPCs in India. A total of 7374 FPOs were registered in India as on March 31, 2019 (Govil, Neti, and Rao 2020). As on May 2022, there were a total of 3565 FPOs, of which 901 are supported by SFAC, 2063 are promoted by NABARD, 63 FPOs are self-promoted, and there are about 538 FPOs promoted by state governments (SFAC 2022)[2]. Under the Central Sector Scheme for Formation and Promotion of 10,000 FPOs, there are 535 FPCs already registered across states. According to 2018-19 data, the FPOs are concentrated in western India at 34 percent primarily in Maharashtra on account of the state government promotion of FPOs under the World Bank supported Maharashtra Agricultural Competitiveness Project (MACP) and the largest number of self-promoted FPOs. Gujarat has a greater number of NGO supported FPOs. This is followed by central India at 18 percent, eastern India at 14 percent, north-east at 8 percent, and northern India at 4 percent.

To overcome the challenges faced by the FPCs, the Small Farmers' Agribusiness Consortium (SFAC) in 2014 established state level federations to support the FPCs. These federations are expected to enable better coordination amongst FPCs, leverage greater economies of scale in both input and output marketing, and deliver agri inputs, credit, and other services. As on May 2022, there were 9 state level federations of FPCs in Madhya Pradesh, Gujarat, Telangana, Uttar Pradesh, Rajasthan, West Bengal, and Tamil Nadu (SFAC 2022). The FPCs have both individual producers as well as producer collectives such as village level institutions, farmer interest groups, and/or self-help groups as members. Since the area of operation is not restricted to any geography, the FPCs do not face any limitation in achieving the potential economies of scale.

[2] The exact number of FPOs in India is not known due to missing data.

Unlike the co-operatives, the FPCs are less controlled by the government and the indiscriminate regulation by any authority highly influenced by political interests.

The services provided by the FPCs include input supply, procurement and packaging, marketing, insurance, technical, financial, and networking. Through input supply, the FPCs provide quality agricultural inputs such as fertilizers, pesticides, seeds, and farm equipment at low cost. As part of the procurement and packaging services, the FPCs procure agricultural produce from the member farmers and undertake the storage, value addition and packaging of the produce. The FPCs provide marketing services to the member farmers after they have procured the produce from the farmers. The FPCs provide services related to crop, electric motor, and life insurance, as well as finance including loan for purchasing farm equipment and other inputs. Through the technical services, the FPCs promote best practices among the member farmers, undertake skilling and capacity building of the farmers related to farming and post-harvest activities. The FPCs enable networking of the farmers with various other market actors including traders, processors, consumers, and create linkage between farmers and financial institutions. The FPCs also boost the farmers' access to government program (GoI 2013).

4. Key services provided by the Farmer Producer Companies

As studied in the current research context, the FPCs provide important services to the farmers that enable them to overcome the challenges they face in participating in the agricultural value chains. While enabling farmer-market linkages is one of the key objectives of the FPCs, there are other services related to farming, logistics, and finance that are critical for the farmers to become market ready. Some of the important services offered by the FPCs studied in this research content are illustrated below.

Retails quality agri inputs through licensed shop: Typically, all the FPCs have agricultural input licenses which enable them to set up retail shops, purchase inputs from companies and dealers, and make the inputs available to the member farmers as well as other farmers. The agricultural input retail shop was found to be located in the premises of the FPC office, which is either part of the chairman/chief executive officer's residence, or a shop/space rented by the FPC to conduct their daily meetings, trainings, and other business-related activities as well as retail the inputs. The FPC agri input shop retails all kinds of agri inputs including seeds, fertilizers, pesticides, plan medicines, farm equipment such as micro irrigation pipes, vaults, pheromone traps, mulching material, and others. These shops retail the latest high yielding seed varieties of vegetables and fruits available in the market. The agri input shop operated by the FPC allows the farmers to benefit from easy access, assured quality, correct pricing, and timely availability of the inputs. The agri inputs are retailed for immediate payment in cash, mostly and bills of purchase are provided to the farmers. The agri inputs are not retailed on credit unlike other traditional agri input shops. It was observed that member farmers would come to the FPC retail shop and purchase seeds, fertilizers, pesticides, pheromone traps, as well as enquire about availability of micro irrigation pipes. They were found to place orders for specific farm equipment that the FPC shop employee noted down and assured that it would be available within a given period of time. The FPC run agri input shop is not restricted to the member farmers only, and other non-member farmers can also purchase the agri inputs.

Farm advisory services: The farmers availed advisory services about the type of pesticides to be used for plant protection, the dosage, and the timing of application. Any questions that the

farmers have about plant health and disease often get addressed at the FPC level. Through the training and awareness camps organized by the FPC, the farmers interact with agronomists and experts that help them address issues related to crop and farm management. The FPC facilitates access to digital platforms to access information related to advisory services for the member farmers. In many cases, the farmers were able to address issues related to sudden pest attacks, crop disease as well as recommended package of farm practices through these digital platforms as well as through contacts with experts facilitated by the FPCs. One of the FPCs procured good quality saplings in bulk made available by the government at subsidized rates, and distribute them among the member farmers. The private input companies approach the FPC for conducting field demonstration of a particular variety of fruit or vegetable seed on the farms of the member farmers. This allows the companies to showcase their products and tap many potential buyers through one demonstration, which turns out to be cost effective for the company. The member farmers are convinced about the benefits of the agri inputs marketed by the private companies when they see the results on the farms themselves. Member farmers who volunteer to allow demonstration of the inputs on a small portion of their farm can understand the results themselves and then share the same with the fellow farmers. This turns out to be more convincing for the farmers.

Represent member farmers in government departments: The FPCs play a very important role of facilitating farmers' access to government support programs by co-ordinating with the District Horticulture Officer (DHO). The FPCs follow up on the status of the farmers' application for subsidies or grants, making representation on behalf of the farmers about their grievances, and ensuring that the field inspector does the inspection and report on time, among other things. The FPCs play a critical role in helping the farmers with the registration, paperwork, getting bills for the purchases done, and co-ordinating field visits by the government officers. The FPCs in their meetings as well as through social media platforms create awareness about various government subsidy schemes available for the farmers. With increasing digitization of services in the government offices, the farmers are required to register themselves, submit their application for subsidies, and other details through online mode. Most of the farmers are unable to do the paperwork online, and they reach out to the FPC to help them. Often there are issues with online paperwork, which results in delays and rejections of the application, and requires follow up in the respective government office. The queries of farmers are not adequately addressed in the government offices when they show up on their own. The FPCs are able to help resolve these issues through their contacts with senior officers in the government department and/or contacts with the local political party representatives.

Acts as nodal point for government departments: Increasingly, the FPCs have emerged as the important point of contact for the government departments, both at the state as well as district levels. The government departments prefer working with the FPCs to reach out to the farmers. There are regular meetings that the district horticulture officer convenes with the FPCs to understand their progress, challenges, and specific demands from the government. This also makes it possible for him to disseminate the policy changes, subsidy schemes, and other details that are in the interest of the farmers. The FPC members are invited for various training and awareness programs related to farming and other activities in the value chain. The field inspection officers depend upon the FPC to coordinate field inspection of their member farmers' fields. The FPC guide the member farmers on paperwork, that they require to furnish bills of purchase along with their application, and once the equipment is installed (for example drip or sprinkler irrigation pipes, or pheromone traps, or low tunnels, among others), and/or the farmers have sown the seeds, the FPC informs the inspection officer for the field inspection. The FPC also mediates any misunderstanding between the government department and the individual farmers with respect to cases when a particular application for subsidy is rejected, and the farmer is not convinced or does not have adequate information about the reasons for the rejection. The FPCs are effective in identifying progressive farmers, or lead farmers who can be presented before the higher state authorities who come for district visits to assess the progress of the government programs in promoting horticulture farming amongst farmers in the district. Such progressive farmers are chosen for farm demonstration during the visit of the government officials to see the results on the ground.

Promotes crop diversification among farmers: The FPCs promote crop diversification among the member farmers through extension services such as training camps, invited lectures by agronomists or government officers, and other experts. These activities attract the farmers' attention and interest in diversifying from traditional crops to high value vegetables and fruits, and undertake multiple cropping. Often, the progressive farmers in the region who are also members of the FPC share their experience of crop diversification, the income gains, greater access to markets, and government support for the farmers. Such experiences of the farmers encourage the other member as well as non - member farmers to undertake crop diversification. The FPC plays a vital role in providing the information related to crop diversification, and the farming practices, explaining the potential risks associated with diversification such as crop failure, price crash due to market failure, and identifying marketing opportunities. FPCs organize farmers' training camps to educate the farmers about the benefits of undertaking horticulture farming in addition to cereal, pulses, and oilseed farming. One of the FPCs took to social media to announce such training camps, and other farmer meets to mobilize farmer as well as share information related to farming. The FPC showcases success stories from the district to boost adoption of horticulture farming among the farmers. Another FPC promoted horticulture farming among the farmers by reaching out to them with quality inputs, demonstration of best farming practices, advisory on safe farming practices, and creating marketing linkages to incentives the farmers. One of the FPCs specialized in selling irrigation and other farm equipment to help the farmers in the water scarce areas to undertake vegetable farming.

Facilitate technology uptake among farmers: Horticulture farming involves use of advanced technology that enhances productivity, protects the plants and fruits/vegetables from pests and diseases, and encourages conservative use of natural resources. The FPCs facilitate adoption of micro irrigation among the farmers who are yet to invest. The FPCs explain the benefits of micro irrigation, the recommended brands available in the market, and ways to avail finance and/or subsidy for the irrigation equipment. The use of pheromone traps, and low tunnels that protect the crops from pests, diseases, and weather-related hazards, are also promoted by the FPCs. Many of the farmers come to know about these technologies through the meetings and training camps organized and/or facilitated by the FPCs. Some of the FPCs work with startups to introduce and pilot new technologies that are aimed at preventing post-harvest losses through controlled ripening of fruits and vegetables, better soil nutrient testing and management services. Technologies related to water conservation such as rain water harvesting, and groundwater recharging that can increase water availability for irrigation are also facilitated by the FPCs.

Encourages safe and sustainable farming practices: There is an increasing awareness among farmers, with respect to adopting safe and sustainable farming practices. However, often the farmers lack incentives for adopting the right practices and most of the markets do not differentiate between safe and unsafe food. The FPCs play an important role in educating the farmers about the need to cultivate safe food by adopting the right practices, and using safe/herbal/organic agricultural inputs. The FPCs also tie up with the front-end buyers who are interested in buying vegetables that are cultivated with limited pesticides or grown naturally. The assured markets help the FPCs convince the farmers to change their farming practices, and over time, the farmers to move towards safe farming. The FPCs also promote organic/natural farming among the member farmers with a long-term vision to build a brand of organic or natural farming, and tap the niche domestic as well as export markets. In one of the FPCs, the members of the BoD used bio fertilizers and bio pesticides in their farms to demonstrate the benefits of safe farming to the other member farmers. Another FPC promoted natural farming among the member farmers by providing organic inputs made by some of the farmers themselves. They also facilitated the certification process for the farmers who undertook natural farming.

Enables marketing opportunities: The primary objective of setting up the FPCs has been to enable and strengthen direct farmer-market linkages. The FPC either picked up the vegetables from the member farmers' field, or the farmers brought their produce at the collection centre of the FPC, which is usually attached to the FPC office, or close to one of the Board of Director farmer's field. The price offered to the farmers is determined by the price that the FPC is offered by the private buyer net of transportation costs, losses due to quality issues, and at times, a small service charge. The price that the farmers receive for the vegetables is usually higher than the price they get in the mandis. The price offered by the private buyer is negotiated between the buyer and the FPC, and is based on the prevailing mandi price plus a premium for quality, where applicable. The price negotiated by the FPC also depends on the demand of the private buyer, and his/her access to other sources of purchase.

While all FPCs are eligible for a mandi trading license, and can directly purchase from the member farmers as well as other farmers, very few of the FPCs have actually obtained the mandi license. The FPCs are either waiting for a shop to be allotted to the FPC or the FPC is still trying to work out how to start the shop in the mandi in terms of manpower and other resources. For marketing through the digital platform of the mandis or e-NAM, FPOs are encouraged to register and operate as an aggregator for the member farmers and trade on behalf of them. Such trading practices are deemed important in the case of interstate trading of agricultural commodities where the buyer is unable to physically inspect the quality of the commodities and relies on the seller to deliver quality produce as guaranteed before the online auctioning. This is more critical in the case of vegetables that are highly perishable and subject to quality deterioration between auction, transportation, and delivery to the buyer. The FPOs are also appointed as procurement agencies of the government in the case of grains, pulses, and onions. In catering to the private buyers including hotels, government canteens, private retailers, and e-commerce ventures, the FPCs aggregate the vegetables brought in by the member farmers, or collect them from the farmers' fields, and directly sell to these private buyers. The FPCs that cater to export markets help the member farmers with certification, traceability processes, and assured premium markets.

Since 2020, when Covid-19 struck, few state governments created platforms for FPCs from various states to partner with each other as well as private buyers, and signed Memorandum of Understanding (MoU) for direct marketing. During the Covid-19 pandemic, the state governments encouraged the FPCs to set up farmers' market in the nearby urban cities to cater to urban demand for vegetables, fruits, and staples.

Unable to provide financial services: The FPCs find it extremely challenging to avail formal bank loans. Often the FPCs are unable to qualify for a bank loan due to lack of collateral because the BoD farmers are not always willing to pledge their personal assets. Also, lack of a foolproof business plan makes them ineligible for bank loans. While the FPCs are eligible for government subsidies and capital grants, they are not always able to mobilize their share of the capital through bank loans. The FPCs despite being a farmer organization do not get any preferential treatment with respect to the prevailing interest rates that makes it difficult to avail bank loans. Much of their own business expansion plans are held back or delayed due to lack of funds. The FPCs are unable to help the member farmers secure affordable bank loans or credit.

The spectrum of services provided by the FPCs is quite wide and the extent to which these services are provided vary across the FPCs included in this research study. It must be noted that due to the Covid-19 pandemic and the farmer protests which had its epicentre around the study area affected the functioning of the FPCs. It was found that many FPCs fell out of business, while other FPCs were restructuring their business model. While the pandemic gave a boost to the FPCs to engage in direct marketing, many of them realized that they were not prepared to engage on a large scale that was enough to help the farmers benefit in terms of assured markets and higher prices. Most of the FPCs required lot more handholding and capacity building to undertake direct marketing. However, the policy announcement (to cope up with the market disruptions caused by the pandemic) that allowed the FPCs to directly source farm produce from the farmers, and sell in the urban consumption centres led the FPCs to explore such direct marketing opportunities. Although very few in numbers, but initiatives to sell directly to the urban consumers through physical farmer markets or online platforms have gained momentum in the urban areas. This is particularly observed in the case of safe/natural/organic vegetables marketing. It is quite evident that there are several difficulties confronting the FPCs that hinder the extent to which they can serve the member farmers, and strengthen their access to the markets as well as undertake horticulture farming in a sustainable manner. The scope of the FPCs can be revisited to enhance their role in delivering higher benefits to the farmers.

5. Organizational and functional gaps in Farmer Producer Companies

The current organization and functioning of the FPCs has some serious gaps that adversely impact the effectiveness of the FPCs in addressing the challenges faced by the farmers. It also raises questions on the policy vision of FPCs as nodal grassroot organizations to support the farmers in participating in the agricultural value chains. Some of the key gaps that emerge in this research context and support earlier studies are discussed below.

Lack of skilled and trained manpower: The FPCs lack skilled and professionally trained manpower to conduct the agribusiness activities. Due to lack of funds, the FPCs cannot afford to hire well qualified professionals. The FPCs engage a data analyst who is a local young person with basic computer knowledge and can help with billing at the retail shop, and fill out online applications for the member farmers. At times, it is difficult to retain the data analyst as he moves to other opportunities that pay better.

Most of the FPCs do not have digitized records of the membership and business activities, and regular audited accounts due to lack of manpower to develop and maintain such records consistently. FPCs are most dependent on the Chairman or CEO, and some selected members of the Board of Directors (BoD) to take important decisions and agribusiness execution plans. The activities of the FPCs are limited to some crisis call wherein the markets have failed for the agricultural produce, or procuring commodities on behalf of the governmental procurement agencies like NAFED and others, or responding to specific demand from startups or small businesses. This approach restricts their ability to plan a robust business agenda, and expand their portfolio, which in turn inhibits the FPC's ability to access financial capital, forge partnerships, and are caught in a vicious circle of low performance. Lack of the required manpower accentuates the dependence of the FPCs on the resource institutes for setting the priorities, and planning their business operations.

Lack of democratic representation: In most of the cases, either the Chairman or the CEO is the key person in the FPC who takes most of the decisions and is responsible for executing the decisions on behalf of the member farmers. It is observed that not all the member farmers of the BoD are equally active. The Chairman or CEO farmer is one of the most influential farmers in the village with political affiliations. He is well networked with other market actors including the government, and is very motivated to improve the scope of the FPC. It is also observed that in most of the cases, the assets of the FPCs (such as farm ponds, pack houses, retail shops, and others) that are supported by government schemes are built on the farms or residential premises of the Chairman or CEO, which makes the member farmers sceptical about their unhindered access as and when required. With the Chairman or the CEO running the FPC leads to other issues that threaten the democratic structure of the organization. In the case of FPCs that hire a CEO to take care of the daily activities of the FPC, it is not easy for the CEO to connect with the farmers, and convince them about certain decisions taken in the interest of the FPC and the member farmers. In such cases, the CEO is seen as an outsider and he lacks the co-operation of the member farmers in rolling out any new initiatives. The dependence of the FPC on the promoting agency or the resource institute impacts the FPC's ability to prioritise its business agenda that represent the interest of the majority of the member farmers. Women representation in FPCs is dismal and the membership is dominated by men. The issues related to exclusion of the marginal and small farmers in high value chains who lack assets, resources to adopt advanced farming methods, and have small marketable surpluses are not the active members of the FPC. These farmers have very limited participation and are often just on paper, and do not engage with the FPC.

Lack of financial support: Except for the initial government support, the FPCs do not have any robust and sustainable source of revenue or income. The FPCs are unable to come up with a revenue model that is driven by services for which they charge fixed services charges from the member farmers who avail the services. The membership fees and income from the input retail shop are often not enough to meet the expenses of the FPC to operate like a business entity. Also, it is not easy for the FPC to raise money from the member farmers to undertake marketing, or any other activities. For the capital grant provided by the government to set up packhouses, or construct farm ponds, the FPC often do not always have the wherewithal to raise the FPC's share from among the member farmers, and/or seek a bank loan. The interest rate charged by the bank is quite expensive for the FPC, and there is a lack of consensus among the Board of Directors to take a bank loan as they are eventually responsible for paying the loan. The lack of access to affordable finance is also one of the reasons that the assets supported by the government are built or owned by the Chairman or CEO who put the share of the FPC capital from their own finances. After the initial years of support provided by the government for setting up the office, procuring resources, hiring a data operator, and other services, several FPCs have ceased to be functional.

Lack of clear business model: The FPCs do not have a robust business model, and struggle to identify feasible business propositions (suited to the needs of the member farmers), generate consistent revenue stream, access financial resources, and strengthen FPC market linkages. The current efforts of the FPCs are very piecemeal where they respond to specific demands from the government or the private buyers, and do not have a long term well visioned business plan. The role of the resource institutions and promotion agencies is quite limited to the funds available to support the FPC, and their own vision and enterprise to help the FPC to expand. Much of the support is offered in the form of awareness and capacity building programs, and facilitating partnerships. The actual business opportunities beyond the mandis are guided by the nature of the crop, existing market conditions, and the geography.

Untenable farmers' access to markets facilitated by the FPCs: Although one of the primary objectives of the FPCs is to strengthen farmers' access to markets, most of these organizations struggle to ensure the same. Lack of consistent bulk demand for fresh vegetables, high rates of rejection due to quality issues at the private buyers' end, lack of support to the member farmers to adhere to quality standards, pricing issues, and member farmers' easy access to mandis hinder direct marketing between the member farmers and the private buyers facilitated by the FPCs. The FPCs are unable to achieve the economies of scale with a very active small farmer base which are able to, and willing to market vegetables on a regular basis. For some of the member farmers, trust plays an important role in their decision to sell through the FPC. Given the limited scope of business of the FPCs, the member farmers do not want to say no to the other buyers. Most of the FPCs are yet to venture into their own packaging, branding, and marketing through wholesale or retail outlets due to lack of capital. These services are important to attract the member farmers to sell through the FPC as well as assure the private buyers that they can supply large volumes of good quality vegetables.

There are instances where the FPCs successfully facilitated direct marketing for a couple of seasons but could not sustain the business over time. The direct marketing arrangements are sporadic based on the demand of the private buyers. In many cases, the private buyers source the fresh produce for one or two seasons and then discontinue. There are also instances, when the private buyers source the fresh produce from the mandis as the prices are lower in the mandis. The FPCs are approached by private buyers to supply fruits and vegetables on a regular basis, and some of them propose contract agreements. Several private buyers approached the FPCs during the Covid-19 pandemic but except for a couple of buyers, none of them pursued them. There are a couple of FPCs who continue with direct marketing consistently over the years, and have been able to expand their marketing activities.

Lack of infrastructure and assets: Although eligible for capital grant for setting up packhouses, the FPCs do not have their own packhouses, which could be used to store fresh produce collected from the member farmers, and marketed when the prices are remunerative. Such infrastructure facility could attract the farmers to market their produce through the FPCs as the farmers are unable to access and afford warehouse and cold storage facilities in their individual capacity. In the absence of storage facilities, the farmers are forced into distress sale. Although vegetables are highly perishable, if the farmers can store their fresh produce for a couple of days, they can avoid distress sale, and benefit from rising prices during the season. Commodities such as onions and potatoes that can be stored over a longer period and are also subject to greater price volatility could help the farmers benefit in terms of higher price realization.

Inadequate awareness and capacity building: Not all the farmers are aware of the role of the FPC, and how they can benefit as members. There are many farmers who are members because the FPC had a long list of farmers in the area, and they added them to the list of members. Many of the farmers are members because their fellow farmers asked them to register. Some farmers thought it was a good idea to be part of a farmer organization so that they can access important information, advisory, and any other benefits that are offered. Very few farmers understand the role of the FPCs in empowering the farmers through various services. There are events wherein the government officers, resource organizations working with the FPCs, and other stakeholders create awareness about the role of the FPCs, and how the farmers can benefit from becoming members. However, the level of communication of the member farmers with the FPC remains very nascent. The farmers who constitute the Board of Directors are usually more aware and informed about the government's vision with the FPCs, and they are motivated to work towards strengthening the organization. The other member farmers are unable to spend as much time and get involved in the daily operations of the FPC.

6. Key policy challenges related to promotion of FPCs

The policy vision to enhance collectivization of farmers through FPCs is pertinent in creating a level playing field for the farmers, given that Indian agriculture is a source of livelihood and way of life for millions of marginal and small farmers. However, there is need to improve the scope of the policies considering the lessons emerging from the ground with respect to the functioning of the FPCs and their effectiveness in delivering the services to the farmers.

Aggressive promotion of FPCs: The central government has been very aggressive in promoting FPCs throughout the country with a vision to mobilize the farmers into groups, create economies of scale, and enable the farmers to benefit from direct access to agricultural markets. The policy focus on creation of FPCs is aligned to the other larger policy objectives of encouraging agricultural diversification among the farmers to boost their income as well as reduce the risks of income failure, tackle issues related to environmental degradation due to hazardous and intensive farming practices, and to address the issue of water scarcity that adversely impact irrigation. There is an increasing need to equip the farmers with adequate information, technology, and incentives to participate equitably in the transforming agricultural markets. Following the mandate of the central government, the state governments too have taken steps to promote the FPCs in their respective states by setting out targets to create more FPCs. At the district level, the government officers are aware that most of the existing FPCs are not active or functioning effectively. Yet, they are forced to pursue targets given to them by the state department, and they push for creation of more FPCs. In many cases, both the status of the FPC and the farmer membership are on paper only. These FPCs are not functional on the ground, and are established as part of the FPC promotion target of the state and district authorities together with the government support available through SFAC, NABARD, and other organizations.

Poor digitalization of FPC records: The FPCs are unable to maintain digital records of the membership, business transactions, and finance related information. Much of the data and information is based on the recollection of the Chairman or CEO. FPCs that run a retail shop are required to maintain digital records of the input sale and inventory. Few FPCs maintain registers and hard copy invoices of the transactions undertaken by them for their own reference. Absence of well-maintained records and digital information restricts the monitoring and assessment of the organizations for restructuring or expansion as well as transparency in operations. While most of the FPCs claim that they have a membership of 1000 farmers and above, there were no digital records to ascertain the actual size of the membership. It is evident from the attendance of the farmers in the FPC meetings, and business size that a very small part of the claimed membership is actively engaged with the FPC. There is very little evidence-based understanding of the performance of the FPC due to lack of availability of data.

Data gaps within government sources: Much of the information about the FPCs provided on the web portals of the government organizations including SFAC are not updated. In most of the cases, the mobile numbers are not reachable, and among the mobile numbers that are reachable, there are many cases where the person refuses to share any information about the FPC or says that the FPC is no longer functional or the activities are minimal, or he is no longer part of the FPC. It is very difficult to understand from the database the exact crop basket that the FPC deals with, and the type of services (input retail, marketing, or processing) it offers. The data is often listed as Farmer Producer Organization (FPO) that includes FPC, co-operatives and other registered societies.

FPC membership on paper only: Each FPC reports farmer membership of 500 to 3000 but, only 10-20 farmers are active in the FPC. The same farmer is registered as member of multiple FPCs, which is not allowed officially. A farmer can avail benefits of government programs as member of a particular

FPC only. The membership strength is important for registration of the FPC and becoming eligible for financial support. Often, the farmers are unaware that they are member of a particular FPC. Not all the members attend the regular meetings conducted by the FPC, and/or any training camps facilitated by the FPC. It is not clear if all the member farmers pay the membership fees or it is paid on behalf of the absentee farmers by the Board of Directors given it is a nominal amount in most of the cases.

7. Issues to be addressed by Policy:

Strengthen management capacity: The FPCs need formal training, and capacity building to improve their management skills. The Board of Directors should be supported by trained agribusiness professionals who understand agriculture as well as how to manage it professionally. Deputation of young officers from the Krishi Vigyan Kendras, agribusiness professionals from public universities, and mentors from the agribusiness industry, among others can build the FPCs in a way that helps the member farmers to adopt advanced farming practices, and explore sustainable marketing linkages. While there are resource institutes, promoting agencies, and foundations that work closely with the FPCs, their engagement is external and for a limited time period. There is no blueprint on how these institutions will handhold the FPCs and phase out once the FPCs are able to function and manage their operations without any support.

Strengthen governance and regulation: Adequate focus needs to be put on establishing stronger governance, regulations, and streamlining of the operations of the existing FPCs. One must refer to the original guidelines of setting up a FPC, and ensure that those guidelines are being followed. If there is scope and need for modifications, the same must be done and communicated to the government offices in charge of FPCs, the resource institutes, and other relevant stakeholders. A mechanism to ensure that the FPCs are set up, and operational as per the guidelines is essential to ensure that these institutions mature over time and can achieve the targeted goals. It is critical to regulate the FPCs in terms of who are eligible to be part of the Board of Directors, their roles and responsibilities, and eligibility criteria of the FPCs for government funding. Stronger governance and regulation mechanisms will help ensure that the FPCs adhere to their objectives and work towards delivering the services and benefits to the farmers as envisaged. It is important to ensure that the marginal and small farmers also find a representation in the FPCs who are most vulnerable to the agricultural risks. An umbrella organization at the state level that supports all the FPCs in the state can provide the administrative, management and technical support. The optimal membership that is manageable and can be made accountable needs to be looked at.

Strengthen FPCs' access to infrastructure and logistics: Infrastructure and logistics services pose a serious challenge to the farmers. The FPC is well positioned to service the requirements of the farmers be it transportation, or warehouse and cold storage facilities. For an individual farmer to afford transportation to distant markets or avail warehouse or cold storage for small quantity of produce is not cost effective and at times these services are inaccessible. Instead, a collective demand for such services is both affordable and accessible for the farmers. While the government supports the FPC to build and operate such infrastructure facilities, it is important to undertake an assessment of the demand for such services. It may be worth assessing the need and feasibility of each FPC having its own packhouse or there can be shared facilities for a few FPCs in the same district. If the farmers can access these infrastructure services within the FPC, they will have an incentive to engage with the FPCs more effectively, which in turn will create scale for the FPC, and help it expand its business.

Improve access to finance: The FPCs do not have access to affordable finance, and are unable to avail formal bank loans due to lack of collective collaterals and/or bank guarantees. This seriously limits their ability to expand the business and in turn mitigate any price risks for the farmers. Improving their access to finance will also ensure that the Chairman/CEO and/or the Board of Directors do not exercise too control and influence the focus of the FPC. Access to finance will allow the FPCs to undertake infrastructure creation and invest in market linkages that are of benefit to the farmers.

Strengthen the marketing role: The objective should not be to keep expanding the FPC network but ensure that they are equipped to play a meaningful role in creating direct farmer-market linkages. The FPCs should be given the nodal responsibility of linking farmers to direct marketing channels including contract farming, electronic markets, e-commerce, domestic as well export markets. The presence of FPCs in mandis and e-NAM platforms should be strengthened such that the farmers are not solely dependent on the commission agents, and are able to save upon the costs of marketing in their individual capacity. As the markets for organic and naturally farmed foods grow, the farmers have an opportunity to participate in these markets. However, the need to adhere to stringent food safety norms and standards, obtain certification, and be traceable can be better facilitated by the FPC. The FPC can guarantee for the quality of the produce that the member farmers bring for sale and undertake the accountability.

Promote FPC startup partnerships: The horticulture value chains are witnessing considerable technology interventions, which helps improve yield, quality, and reduce losses. Such technologies are expensive for individual farmers and hence uptake can be increased if there is a collective demand for the same. The startups are already partnering with FPCs to field test and pilot their technologies and it allows them to demonstrate, and track the outcomes. This partnership can create win-win situations for both the startups whereby they can scale up their technology across many farmers, and the farmers can benefit from access to advanced technologies through the FPC.

Monitor progress and document lessons learnt: There are several micro studies on the progress of FPCs. However, there is need for monitoring and documentation of the progress of the FPCs at a macro level. It is important to understand what makes the FPCs successful in delivering services to the farmers and linking them with the markets, and the causes of failure. Database that helps track the performance of the FPCs across commodities, states, and farmer categories can unlock important information for further policymaking. Showcasing the best practices among the FPCs can help other FPCs grow better and faster.

8. Conclusion:

The current functioning of the FPCs showcase the potential of these grassroot organizations in empowering the farmers as well as contributing to the overall performance of the agricultural sector. Considering the larger policy objectives of enhancing farmers' income through crop diversification, promoting safe and sustainable farming practices, and ensuring inclusive growth, it is imperative to promote FPCs and other farmer collectives to achieve the desired scale of outreach. However, a one-size fit all approach is not effective in achieving the desired results. The increasing complexity of the challenges facing the agricultural sector and thereby the farmers, point out to need for issue specific diagnostics as well as solutions. Hence, there is immense scope to improve the capacity of the FPCs to leverage information, technology, and partnerships to strategically engage with the farmers and deliver services more effectively. From a policy perspective, it is important to ensure that the FPCs are effective on the ground and can deliver the desired services to the farmers. The push for creating large number of FPCs per se increases the risk of investing resources in creating organizations that remain more on papers, and less active and relevant on the ground. The farmer-FPC connect is pivotal to ensuring an inclusive and participatory agricultural growth and realigning policy priorities and interventions can help empower the farmers in the transforming agricultural landscape.

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