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Catalyzing Development through Collectives: Status and Issues of Cooperatives, Self-Help Groups and Farmer Producers Organizations in India

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Abbreviations

AKRSP	:	Aga Khan Rural Support Programme
ASA	:	Action for Social Advancement
BIRD	:	Bankers Institute of Rural Development
BMMU	:	Block Mission Management Unit
BODs	:	Board of Directors
BPL	:	Below Poverty Line
CBBOs	:	Cluster Based Business Organisations
CBOs	:	Community Based Organizations
CC	:	Community Cadres
CCEA	:	Cabinet Committee on Economic Affairs
CEO	:	Chief Executive Officer
CLFs	:	Cluster Level Federations
CSOs	:	Civil Society Organisations
DAC&FW	:	Department of Agriculture, Cooperation and Farmers Welfare
DAY-NRLM	:	Deendayal Antyodaya Yojana – National Rural Livelihood Mission
DMMU	:	District Mission Management Units
DPIP	:	District Poverty Initiatives Programme
DSC	:	Development Support Centre
ESAF	:	Evangelical Social Action Forum
ESFIM	:	Empowering Smallholder Farmers in Markets
EU	:	European Union
FCI	:	Food Corporation of India
FPC	:	Farmer Producers Company
FPO	:	Farmer Producers Organisation
GOI	:	Government of India
ICA	:	International Cooperative Alliance
ICCOA	:	International Competence Centre for Organic Agriculture
IFAD	:	International Fund for Agricultural Development
IFFCO	:	Indian Farmers Fertiliser Cooperative Limited
IFFDC	:	Indian Farm Forestry Development Cooperative Limited
IGS	:	Indian Grammen Services
IRDP	:	Integrated Rural Development Programmes
IRMA	:	Institute of Rural Management Anand
ISAP	:	Indian Society of Agribusiness Professionals

IT	:	Information Technology
ITSL	:	International Traceability Systems Limited
KRIBHCO	:	Krishak Bharati Cooperative Limited
LPG	:	Liberalization, Privatization, and Globalization
MDGs	:	Millennium Development Goals
MIS	:	Management Information System
MYRADA	:	Mysore Resettlement and Development Agency
NABARD	:	National Bank for Agriculture and Rural Development
NAFED	:	National Agricultural Cooperative Marketing Federation
NCDC	:	National Cooperative Development Corporation
NCUI	:	National Cooperative Union of India
NFOs	:	National Farmer Organisations
NGOs	:	Non-Governmental Organisations
NKFL	:	NABKISAN Finance Limited
NMMU	:	National Mission Management Unit
NPMA	:	National Project Management Agency
NSSO	:	National Sample Survey Organisation
PACS	:	Primary Agricultural Cooperative Societies
POs	:	Producers Organisations
POPIs	:	Producers Organisations Promoting Institutions
PRADAN	:	Professional Assistance for Development Action
PRODUCE	:	Producers Organization Development and Upliftment Corpus
RIs	:	Resource Institutions
SAGs	:	Self Help Affinity Groups
SDGs	:	Sustainable Development Goals
SGSY	:	Swarnjayanti Gram Swarozgar Yojana
SHGs	:	Self Help Groups
SM/MF	:	Small/Marginal Farmers
SMMU	:	State Mission Management Unit
SOP	:	Standard Operating Procedure
USA	:	United States of America
VAMNICOM	:	Vaikunth Mehta National Institute of Cooperative Management
VOs	:	Village Organisations
WCED	:	World Commission on Environment and Development

Catalyzing Development through Collectives: Status and Issues of Cooperatives, Self-Help Groups and Farmer Producers Organizations in India

K. K. Tripathy[1], D. V. Deshpande[2], S. K. Wadkar[3] and Jaya Lokhande[4]

ABSTRACT

Social capital in the form of any collectives is a potential means to address the enigma of agrarian distress through broadening farm and non-farm occupational choices, livelihoods and income thereof. Since the 1900s, India's cooperative movement, as one of the strongest forms of member-owned grass-root level democratically governed collectives, has witnessed community-driven endeavour towards implementation of collectivized efforts. The objective of such community led development intermediation aims at reducing disparity of income and wealth and arresting socio-economic imbalances in the country. 1980s witnessed the emergence of Self-Help Groups as community collectives so as to empower women – psychologically, economically, and socially. In the 21st Century, a renewed interest has emerged in "Farmer Producers Organizations (FPOs)" with a view to address issues and challenges of the cooperative movement.

FPOs are viewed as a potent tool to reap the benefits of the complete agriculture value chain. FPOs are farmer-owned and farmer-governed micro-enterprises and are considered as hybrids between cooperatives and corporate. They follow all the fundamental principles of cooperatives, while incorporation into Companies Act allows more flexibility and ensures inculcation of greater professionalism in their business actions.

An attempt has been made in this study to analyze various collective action efforts undertaken to address the issues of the farming community. The paper draws upon the available literature on different forms of collectives to highlight the status, issues, research gap to work further to improve the status of rural people. Specifically, examining the issues and challenges of FPOs to suggest a strategy for the promotion of new FPOs and making FPOs competitive and sustainable.

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Keywords: Collectives, Collective Action, Cooperatives, Self-Help-Groups, FPOs/ FPCs, Livelihoods, Value Chain.

1. Introduction

The planners and policy makers of developing nations are now resorting to changed and customized socio-economic development paradigm with a view to meet new and emerging development challenges and issues. The world is moving from the attainment of Millennium Development Goals (MDG's) to that of accomplishment of Sustainable Development Goals (SDGs). In India, MDGs, through targeted development interventions, have witnessed significant progress and played an important role in redressing major issues and challenges like illness, illiteracy, poverty, hunger, and untimely/ premature death. However, to address the emerging challenges of sustainable development, the SDGs were brought in post-2015 by the United Nations which are more focused and concrete, leading to the holistic development of the world. The Brundtland Report (WCED, 1987) defined Sustainable Development as "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*".

In the agriculture and allied sector, the development paradigm is shifting from "*Food Security to Nutritional Security*". Efforts of Dr. M. S. Swaminathan in India led to the achievement of self-sufficiency in food-grain production. India has graduated from the situation of food scarcity to food self-sufficiency. However, there exists a big question mark on how far this self-sufficiency could translate into the national nutritional security.

In the 21st Century and the post LPG (Liberalization, Privatization, and Globalization), the nation desired to achieve nutritional security and thus, government development plans and policies followed the "*Farm to Fork* and *Fork to Farm"* or '*Plate to plough'*" approach. The objective was not only to ensure accessibility, affordability and availability of food grains but to assure the quality of such food supply in the country.

However, to achieve this development agenda, the agriculture and allied sector have been seen as indispensable. Despite a gradual decline in the proportion of people dependent on agriculture, it still serves 55 percent of India's total workers (Government of India, 2016). On the other hand, at the grass-root level still the scenario of target clientele i.e. the farming community, is alarming. The smallholders (includes small/ marginal farmers (SF/MF) and rural women) are in distress due to several reasons, such as highly fragmented, scattered and heterogeneous landholding, limited accessibility and availability to resources and markets, weak forward and backward linkages, high production cost, etc. In addition, lack of access to quality inputs (seeds, fertilizers, credit, technology, etc.), the limited marketable surplus, frequent crop failures, lack of assured market, weak supply chain and immediate cash requirement compelled farmers to sell their produce to intermediaries and local money lenders. Therefore, how to streamline smallholders to get the benefits of entire agri-value chain on a sustainable and equitable basis through member-driven autonomous organization has remained a major concern.

To counter this weakness and constraints, collective action approach is considered as one of the best methods for transforming Indian agriculture both, by economizing the scale of production and productivity enhancement, and strengthening forward linkages (post-harvest agri-logistics management, processing, marketing and distribution) for boosting agricultural growth.

Thus, there is a need to consider farming as a business profession by strengthening the backward and forward linkages *'to reduce the production cost'* on one hand and *'earn maximum share in the consumer rupee'* on the other hand in the value chain of agriculture and allied commodities.

Primary producers' organizations or '*collectives*' are the only institutions that can protect smallholder farmers from ill-effects of globalization or make them participate successfully in modern competitive markets (Trebbin and Hassler, 2012). It is also argued that co-operatives or such collectivities are needed for smallholder farmers to realize better output prices and credit terms which in turn can help eliminate interlocking of factor and product markets into which such peasant farmers are generally trapped (Patibandla and Sastry, 2004).

Scholars are unanimous about the potential of the collectivized efforts for socio-economic development of developing and underdeveloped nations. While Thorp *et al.,* (2003) state that group formation has great potential in enabling the members to achieve their common socio-economic goals by ensuring collective bargaining power, Karim Hussein (2001) opines that Producer Organizations (POs) play a vital role in technology adoption and livelihoods improvements of people in developing countries. Producer organizations help in combining and/or mapping existing resources/ assets and building capacity to strategize the sustainable livelihood activities.

Against this background, collectivization of smallholder farmers is one of the best-fit models to achieve the economy of scale and to create commodity-specific agri-value chains with active participation of agri-entrepreneurs and primary producers on equitable terms.

1.1 Research Objectives

This paper reviews various collective action efforts undertaken to address the issues of the farming community in India. Drawing upon the available literature on collective action efforts in the economic development, this paper tries to highlight research gaps to work further to improve the status of rural people. The specific objectives are as follows:

a. to assess the status of different forms of collectives viz. cooperatives, self-help-groups and FPOs in India.
b. to examine the issues and challenges in the recent form of collectives i.e. FPOs.
c. to suggest a strategy for promotion of incremental FPOs and outlining recommendations for making FPOs competitive and sustainable.

2. Research Methodology

The authors have carried out an extensive literature review of published research studies, case studies, govt. reports, proceedings of workshops, seminars, etc. to analyze the collective action efforts undertaken by various forms of collectives in India. Given the research objectives formulated, the methodology of this paper is based on secondary data.

The paper is organized as follows. S*ection 1* provides the introduction and context of the paper, *Section 2 (this section)* briefly narrates the methodology and organization of this paper. *Section 3* provides the status and issues of the smallholders in India. *Section 4* presents provisions of legal Acts within which different organizational prototypes are registered as collectives. *Section 5* discusses the status and issues of cooperatives, self-help-groups and FPOs, while *Section 6* presents mechanism of FPOs promotion and FPOs registered across India. *Section 7* describes the ecosystem of FPOs' promotion in India and its schemes for sustainable functioning. *Section 8* is based on literature review on benefits received from the FPOs movement. *Section 9* discusses the issues, challenges in establishment of FPOs, its business operations and sustenance with possible solutions. *Section 10* highlights the authors' view points on promoting 10,000 new FPOs and making them competitive and sustainable. *Section 11* provides factors determining sustainability of FPO movement and *Section 12* gives concluding remarks.

3. Smallholder Farmers: Core of the Indian Agriculture

Agriculture is a major source of livelihood for over 55 per cent of India's total workers which include cultivators, share-croppers, and agricultural labourers. Among which, smallholder farmers dominate the landscape of Indian agriculture. Table 1 shows that in India, 92 million farmers (67% of total farming community) are marginal having less than 0.40 ha land holdings, while 24 million (18%) are small having average landholding 1.42 ha. The total number of operational holdings has increased from 71.01 million in 1970-71 to 138.35 million in 2010-11 with an average size of 1.15 ha (Government of India, 2016). This is a basic constraint faced by Indian farmers, particularly smallholder ones as high costs of production and low marketable surplus make them vulnerable in the hands of middlemen/ traders. Moreover, individual farmers, due to the inherent scale economies, have never been able to actualise forward and backward linkage benefits in agriculture.

Table 1: Trends in number of holdings (in million) and average size of holdings (in ha) of Indian Farmers

Category	1970-71	1976-77	1980-81	1985-86	1990-91	1995-96	2000-01	2005-06	2010-11
Marginal	36.20	44.52	50.12	56.15	63.39	71.18	75.41	83.69	92.83
	(.40)	(.39)	(.39)	(.39)	(.39)	(.40)	(.40)	(.38)	(.39)
Small	13.43	14.73	16.07	17.92	20.09	21.64	22.70	23.93	24.78
	(1.44)	(1.42)	(1.44)	(1.43)	(1.43)	(1.42)	(1.42)	(1.38)	(1.42)
Semi-medium	10.68	11.67	12.46	13.25	13.92	14.26	14.02	14.13	13.90
	(2.81)	(2.78)	(2.78)	(2.77)	(2.76)	(2.73)	(2.72)	(2.68)	(2.71)
Medium	7.93	8.21	8.07	7.92	7.58	7.09	6.58	6.38	5.88
	(6.08)	(6.04)	(6.02)	(5.96)	(5.90)	(5.84)	(5.81)	(5.74)	(5.76)
Large	2.77	2.44	2.17	1.92	1.65	1.40	1.23	1.10	0.97
	(18.10)	(17.57)	(17.41)	(17.21)	(17.33)	(17.20)	(17.12)	(17.08)	(17.38)
Total	71.01	81.57	88.88	97.16	106.64	115.58	119.93	129.22	138.35

Note: Figures in parentheses indicate average size of holdings in ha

Source: Government of India, 2016

The National Sample Survey Organization (NSSO, 2003) conducted a Situation Assessment Survey of Farmers from 51,770 farmers' households in 6,638 villages. The report stated that while 27 per cent of Indian farmers felt farming as non-remunerative and a loss making proposition, 40 per cent of total farmers expressed their desire to quit farming in case of availability of any other livelihood source. The whole farming community of India is burdened with low land size and its related problems which need serious attention.

Similarly, many research scholars have highlighted the problems and issues of smallholder farmers like, climate change, quality of produce in agriculture, disobedience to the science of efficiency in the agricultural production system, high cost of insurance, lack of grass-root level convergence in government schemes with dissipating social capital, the high transaction cost for both input and output marketing, etc. So, this creates stress on the sustainable use of land, water, inputs, credit, technology, and markets. Notwithstanding these challenges, the Indian smallholder farmers significantly contribute in total agricultural production including their participation in the production of high-value commodities. However, they could not take part in the marketing of their produce as their link to the market has remained weak (Birthal *et al.*, 2007). The primary reason is '*extended supply chain'* consisting of village level middlemen/ small traders, who procure directly from farmers to the 'big trader' at the local market followed by wholesaler, distributor, and retailer. This chain varies as per the nature of commodity. However, even if these middlemen are eliminated, the price difference remains significant as at different levels the cost is involved from primary processing (aggregation, sorting, grading, etc.), storage, and transportation to appropriate market, etc. Moreover, timing matters and farmers have to bear that cost and risk.

To facilitate the emergence of an appropriate institutional mechanism and to address these issues the GoI promoted different models of collectives/ producers organizations. viz. cooperatives, self-help groups and recently the FPOs.

4. Different Organizational Prototypes for Collectives

In India, there are many legal entities where primary producers/ Producers Organizations (POs) can organize themselves. Any PO can register itself as either a "***for-profit***" or "***not-for-profit***" entity. As far as "*for-profit"* entities are concerned, it can get registered as a legal entity (see Box 1) under the following provisions:

a. Producer Company under Section 581(C) of the Indian Companies Act, 1956, as amended in 2002.
b. Cooperative Society Act 1912 and respective State government's Cooperative Societies Act; and/or Mutually Aided Co-operative Societies (MACS) Act 2002.
c. Multi-State Cooperative Society Act, 2002 (Central Govt. Act)

Further, with regard to "*not-for-profit*" entities, following legal provisions are existing:

a. Section 8 Company under Indian Companies Act, [as Amended in 2013]
b. Society under Societies Registration Act, 1860
c. Trust under Indian Trusts Act, 1882

Box 1: Comparative Statement of FPO - Cooperative and FPO -Producers Company		
Attributes	**Cooperative**	**Producers Company**
Type of Organisation	Formal association of individuals for business/ service activities	Formal organization of a group of farmers for business/ service activities
Requirements of Registration	Cooperative Societies Act [State/ Multi-State]	Indian Companies Act, 1956 amended in 2002
Objective	Designed for Promotion of economic interest of its members with principles of co-operation	to ensure better income for farmer producers through an organization of their own
Area of Operation	Restricted unless registered under Multi State Cooperative Societies Act.	Anywhere in the Country
Membership	Individuals & cooperatives	Any individual, group, association, producers of goods/ services
Members Size	Unlimited	Unlimited
Share	Non-tradable	Not tradable but transferable; limited to members at par value
Voting rights	One member, one vote, but Govt. and Registrar of Cooperatives hold veto power	One member, one vote. Members not having transactions with the company cannot vote
Profit sharing	Limited dividends on shares	Commensurate with volume of business
Government Control	Highly patronised/ maximum Interference	Minimal and limited to statutory requirements
Extent of Autonomy	Limited in "real world scenario"	Fully autonomous, self-ruled within the provisions of the Act
Reserves	Created out of profits	Mandatory to create every year
Borrowing Power	Restricted as per bye-law	Borrowing limit fixed by Special Resolution in general body meeting. Companies have more freedom to raise borrowing power.

Board of Directors	Elected by the members	Elected by the members
Board Size	11	5 - 15 Directors
Tenure for the Directors	Minimum 3 year and a maximum of 5 years.	1 – 5 years
Qualification of a Director	No educational qualification	No educational qualification.
Relationship with other corporate/ businesses	Transaction based	Producers and corporate entity can together float a Private company

5. Status and Issues of Collectives

5.1 Cooperatives

Cooperatives are first among all forms of collectives to organize farmers for the common cause and based on the values of self-help-mutual-help. International Cooperative Alliance (ICA, 2015) defines a cooperative as "*an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise".*

There are two types of cooperatives - credit and non-credit cooperatives[i]. The cooperative movement in India started in the year 1904 with the introduction of "*Credit Cooperative Society Act*". National Cooperative Union of India (NCUI) has estimated that there were 13.12 million members of Primary Agricultural Cooperative Societies (PACS) in the year 2017 of which 52.02 million were borrowers (NCUI, 2017). PACS are village level cooperative institutions which cater to members' demand for credit and certain other inputs/ services. Since the number of 'cultivators' (farmers) according to Government of India (2016) were 118.8 million in 2011, around 44 per cent of them were borrowers of the PACS. However, the shares of credit cooperatives has declined (about 50% in 1970s) over the years to 12% in 2019 due to internal governance issues and better products and services assurance given by commercial banks (NABARD, 2019). The key statistics of the Indian Cooperative Movement are presented in Table 2.

Table 2: Indian Cooperative Movement at a Glance

Total Number of Cooperatives	8,54,355

Of Total, Defunct/ Dormant	52,440
Credit Cooperative (All Types)	177605
Non-Credit Cooperatives (All Types)	676750
Total Membership of Cooperatives	290.06 million
Credit Cooperative (All Types)	206.16 million
Non-Credit Cooperatives (All Types)	83.921 million
State Level Cooperative Federations	390
District Level Cooperative Federations	2,705
Multi State Cooperative Societies	1,435
State Level Cooperative Federations	390
Primary Agricultural Credit Societies (PACS)	97,961
PACS (Viable)	64,438
PACS (Potentially Viable)	18,101
PACS (Membership)	131.23 million
PACS (Total Paid up Share Capital)	Rs. 1,41,215 million
PACS (Govt. Participation)	5.87%
PACS (Total Deposits)	Rs. 846,163 million
Source: NCUI (2018).	

It may be observed from Table 2 that the outreach of cooperatives in terms of membership is massive as over 131 million members were enrolled in the PACS alone. The status of non-credit cooperatives is presented in Table 3.

Table 3: Status of Cooperatives - Other than credit Cooperatives in India

Sr. No.	Type of cooperatives	Numbers	Membership (in Million)
1	Marketing	7399	7.41
2	Consumer	26355	8.6
3	Dairy	151956	16.28
4	Housing	152351	28.74
5	Sugar	656	N.A
6	Labour	46953	24.11
7	Fisheries	23670	2.9
8	Poultry	8383	0.43
9	Textile	17507	N.A
10	Agro-allied processing	29901	N.A
11	Industrial	17313	N.A
12	Women	21493	2.14
13	Multistate	1277	N.A

14	Multi-purpose	14932	N.A
15	Service Sector	3779	N.A
16	Tribals	1707	N.A
17	Others	151118	N.A
18	Total	676750	-
Source: NCUI (2018).			

In view of this strong network of cooperatives and enormous social capital evolved over the years, about 50% of farmers could avail loan facilities through PACS. Scholars have found that cooperatives were not performing satisfactorily and minimal benefits were actualized by member farmers from their respective cooperatives. Moreover, very few cooperatives (except dairy and sugarcane) have established their own value chain, but could not reap the benefits of the entire value chain. While Datta *et al.,* (2014) found that about 20% of farmers availed services of any type from a cooperative, Kumar *et al.,* (2015) in their study - 'r*ole of cooperatives in improving livelihood of farmers on sustainable basis*' concluded that cooperatives involved in disbursement of agricultural credit are able to mobilize their members for creating sustainable livelihood opportunities. The cooperatives need additional pro-active support to adopt the successful model for ensuring sustainable livelihoods to member farmers.

In the segment of supply of agri input, two large member-driven, member-owned, and self-governed cooperatives viz. Indian Farmers Fertilizer Cooperative Limited (IFFCO - Multi-State Cooperative Society incorporated in 1967) and *Krishak Bharati* Cooperative Limited (KRIBHCO – Multi-State Cooperative Society incorporated in 1980) have been playing a vital role possessing shares of 32-35% and 18%, respectively, in the fertilizer market.

In developed countries, unlike Indian cooperatives except dairy, and sugarcane, the cooperatives have established appropriate value-chain and contributed substantially to their respective economy. Particularly, European Union and United States of America have captured the entire value chain and realized the fullest potential of cooperatives network. It is a well-established fact that farmers and their collectives need to establish their own value-chain to enhance and expand their roles in effective and efficient marketing of their produce. Table 4 explains in detail the issues and challenges in the functioning and sustenance of non-credit cooperatives in India.

Table 4. Issues and Challenges in the Functioning and Sustenance of Non-credit Cooperatives in India

Agricultural Cooperative Marketing Societies	
Issues and Challenges	**Possible Solutions**
• Insufficient working capital • Insufficient storage facility to store agricultural products • Unable to provide reasonable marketing service • Marketing activities required huge funds but these organization facing problem with adequate fund • Marketing cooperative societies are applying defective pricing policy for agricultural products • Lack of appropriate facilities and information for undertaking processing of agricultural produce. • The marketing societies have provided loans and advances to the growers but these loans are not recovered timely in India. • Problem of unskilled staff in the district level and primary agriculture cooperatives • Unnecessary Political interference in the management • There is absence of well mentioned regulative framework of marketing societies in India • Lack of proper supervision and audit mechanism	• Establish regulated markets and provide more storage and warehouses facilities • Efficient procurement at the support prices for selected crops • Training and capacity building on different aspects of agricultural marketing
Processing Co-operative Societies (sugar cooperatives, cotton processing cooperatives, spinning mills, dairy cooperatives, fishery cooperatives**)**	
Issues and Challenges	**Possible Solutions**
• Lack of professional management, prevision • Delayed in Decision-Making • Problem of Price Crash • Competition between cooperatives and private processing • Shortage of Raw Material • Lack of Planning and Research • Inadequate Working Capital • Small Size of Firms • Traditional Technology and Poor Capacity Utilization	• Need of research and development • Need of modern technology to processing units • Need of strong support from the government
Consumer Co-operative Societies	
Issues and Challenges	**Possible Solutions**
• Weak organization set up and linkages • Require huge capital for establishment of the facilities and purchasing goods • In the era of privatization the government has ignoring the importance of the consumer cooperative • Consumer cooperatives are not following rules and	• Raising funds by increasing share capital • Managing Committee should consist of persons

regulations of audit ● Present supervision mechanism for the consumer cooperatives is not adequate it adversely affecting the growth of consumer cooperatives ● Lack of coordination between various consumer cooperatives in the State and the country ● Most of the stores deal with limited number of commodities and hence most of the requirements of the customers are not at all satisfied ● Most of the stores are run by persons and who have hardly any experience of business	who have some business acumen, experience and public confidence ● Stress should be laid on the importance of prompt accounts and audit of books ● Proper system of supervision and checking should be introduced
Housing Co-operative Societies	
Issues and Challenges	**Possible Solutions**
● Lack of awareness regarding to the rights of the members and their obligations ● lack of funds ● Facing a problem of capital ● Facing a problem of skilled labour for construction of buildings and house construction ● Lack of managerial talent ● Frauds and malpractice in the housing cooperatives	● Appoint a clean internal auditor to oversee the finances
Labourers' Co-operative Societies	
Issues and Challenges	**Possible Solutions**
● Lack of awareness regarding to the power of such type of organization to protect their interests ● Very few labour cooperatives are operating for increasing the employment opportunities through labour cooperatives ● Awareness regarding to rights and benefits of labour cooperatives in India ● Problem of illiteracy or lower level of literacy among the members of labour cooperatives ● Poor bargaining capacity to determine rate of work undertaken by the labour cooperatives ● Most of labour cooperatives are not taking efforts for providing training an education to the members for increase their productivity and skills ● Absence of good leadership	● Training and Capacity building of members on their rights and entitlements.

It has been well recognized that, in order to achieve the objectives of cooperatives, there is a need for the development of '*Capital'* and '*Capability'* of farmer collectives.

5.2 Self-Help-Groups[ii]

In 1976, Prof. Dr. Muhammad Yunus introduced a 'Group Lending Program' known as the '*Grameen Bank'* (literally the Village Bank) for the first time in Bangladesh for extending credit support to very poor without any collateral with a hypothesis that '*poor are bankable'*. Prof. Yunus opined that financial resources are key to meet the needs of the small people and if it is made available in small and multiple doses then it can create the sustainable change in the lives of people. In India, Grameen Bank model of Bangladesh was suitably customized into Self-Help Groups (SHGs) approach which got introduced initially by Mysore Resettlement and Development Agency (MYRADA, NGO) in 1985. Originally, it was called as "Self Help Affinity Groups (SAGs)" where social peer review was given prominence in the effective management of financial resources for group economic activities. The focus was on inculcating skills among members for "*thrift and saving*". In 1986-87 about 300 SHGs were mobilized and nurtured through various projects implemented by MYRADA. Many had emerged from the breakdown of the large cooperatives organized by MYRADA.

The National Bank for Agriculture and Rural Development (NABARD) played pro-active role in supporting SHGs movement through SHGs Bank-Linkages programme. The SHG movement got fillip when, the Reserve Bank of India accepted SHGs as alterative credit model and allowed SHGs to open saving accounts in banks to avail credit and other banking services. Further, since 2000-01, SHGs concept got introduced as a strategy in the annual plan to mitigate poverty (Government of India, 2000). Several important steps were taken to implement this concept by the NABARD, RBI and leading NGOs, as well as by multilateral agencies, particularly International Fund for Agricultural Development.

Further *Integrated Rural Development Programme* (IRDP, 1978) and *Swarnjayanti Gram Swarozgar Yojana* (SGSY, 1999), laid their focus on providing self-employment to Below Poverty Line (BPL) households through formation, nurturing and economic activation of SHGs so as to bring the members of such groups out of poverty. In 2009-10, implementation of various aspects of SGSY was reviewed by Prof. R. Radhakrishnan Committee. The committee found that the social capital is under-utilized and there exists a need to go beyond saving based group approach. The Committee recommended shift from "thrift and saving" approach to adoption of '*livelihoods approach'* to rural poverty elimination, encompassed the following four interrelated tasks:

a. Mobilizing poor households into functionally effective SHGs and their federations
b. Enhancing and expanding access to bank credit and financial, technical and marketing services
c. Building capacities and skills for gainful and sustainable livelihoods development
d. Converging various schemes for efficient delivery of socio-economic support services to poor households

The GoI accepted the recommendation of the Radhakrishna Committee and restructured the SGSY into National Rural Livelihood Mission (NRLM) in the year 2010–2011 to provide a sharper and greater focus on livelihood based poverty alleviation intermediation. Further, it was renamed as Deendayal Antyodaya Yojana – National Rural Livelihood Mission- DAY-NRLM with effect from 29th March, 2016. The present status of DAY-NRLM as of Dec. 2019 is given below in Table 5.

Table 5: DAY- NRLM Status

Sl. No.	Particulars	Status
1	Rural poor women mobilized into Self Help Groups	6.47 Crore
2	SHG Help Groups promoted	58.6 Lakhs
3	Capitalization Support extended to Self Help Groups	Rs 8334 Crore
4	Bank credit accessed by SHGs since 2013-14	2.59 Lakh Crore
5	Women Farmers supported under farm livelihoods interventions	63 Lakh
6	SHG Members supported under value chain interventions	1.47 Lakh
7	SHG Members deployed as Business Correspondent Agent	1.4 Crore
8	Community Resource Persons providing last mile connectivity	50,000
Source: **https://rural.nic.in/sites/default/files/DAY-NRLM.pdf** **(Accessed on 10th February 2020)**		

It may be observed from the Table 5 that massive efforts are being undertaken on sensitization and mobilization of women by the Central and State Government and its enabling agencies to enroll them under the fold of SHGs, link them with financial institutions, farm & non-farm livelihoods and providing them skill training for self-employment.

Besides DAY-NRLM, other agencies (like NGOs, CSOs etc.) have also promoted SHGs. NABARD publishes an annual report on microfinance which presents the overview of microfinance including SHG movement in India. According to it, the total number of SHGs as on 31st March, 2019, the total number of SHGs has reached 10 million with over 120 million members which includes DAY-NRLM also. This makes the SHG movement as the largest microfinance programme in the world (NABARD 2019).

Thus, it would be inferred from above that since 1980s the country has moved from "*thrift and savings*" based SHGs movement under different rural development programmes particularly IRDP and SGSY to "*sustainable livelihood*" based SHGs movement under DAY-NRLM[iii].

5.3 Farmer Producers Organizations

To take the fullest benefit of the value chain and utilize the potential of social capital created through cooperatives, SHGs and/or any other form of collectives like community-based organizations (CBOs), the GoI constituted a High Powered Committee under Chairmanship of Dr. Yogendra K. Alagh to review the different legal forms and suggest suitable ways for incorporation of any form collectives into company, while ensuring the uniqueness of the cooperative principles and corporate/ private companies professional practices.

The recommendations of Dr. Alagh Committee led to amend the Indian Companies Act 1956 where a new Chapter IX-A was introduced in the Companies Act. The amended Act says that "*any ten or more individual producers or two or more producer institutions or a combination of both may form a producer company*". This amended Act allows any form of collectives (registered/ not registered) to be registered as Producers Company (PC), subjected to fulfillment of eligibility criteria as mentioned in the Act.

The Act ensures the participation of members in business activities and management of PC by specifying following provisions such as,

- Active members are allowed to take part in decision making and are eligible to select and to be elected as board member;
- Voting rights based on the use of services offered by PC (called as patronage)
- Economic transactions and participation business activities is essential for keeping active membership of PC
- No interference of government in election of board and day-to-day management
- Provision of starting joint ventures, subsidiary, acquisitions and mergers

Thus, FPO is typically a society/ company consisting of only practising farmers who are also actual producers of a specified commodity/ commodities, and is formed under any of the legal form (as mentioned above in this paper), to establish backward and forward linkages in order to enhance member producers' economic and social benefits.

6. Mechanism of FPOs Promotion

The two most important organizations promoting and supporting FPOs are Small Farmers Agribusiness Consortium (SFAC) and NABARD. During the 12th Five Year Plan (2012-17) under two sub-schemes of *Rashtriya Krishi Vikas Yojana* (RKVY) viz. '*National Vegetable Initiatives for Urban Clusters' and 'Programmes for Pulses Development for 60,000 Rainfed Villages'* the promotion of FPOs had been one of the key strategy to develop a sustainable agriculture based livelihoods.

As of 29th February, 2020, SFAC has promoted 1,249 registered FPOs (910 FPOs by SFAC and 339 by non-SFAC RIs) and 2,149 registered FPOs by NABARD's Producers Organisations Promoting Institutions (POPIs), which are working in different parts of the country. Thus the total number of FPOs promoted by these two organizations is estimated to be 3,398. Out of these 3,398 FPOs, the Madhya Pradesh state has the highest registered FPOs (309) followed by Karnataka (287), West Bengal (239) and Maharashtra (223). The state-wise distribution of FPOs promoted by SFAC is presented in Figure 1 and those promoted by NABARD are presented in Figure 2.

In addition, FPOs are also being promoted under DAY-NRLM Scheme. As on Feb 2020, 135 FPOs have been registered across 12 States of the Country (NRLM, 2020). Further, farmers have registered themselves into 63 FPOs across 12 States of the Country (SFAC, 2020).

Thus, as on 29th February, 2020, a total of 3596 FPOs have been promoted by SFAC, NABARD, NRLM and Self Promoted. Almost equal number of FPOs have promoted by State governments and its enabling agencies across country.

A large number of FPOs/ producer companies are being formed every year and on 5th July, 2019, the GoI announced a plan to promote 10,000 new FPOs over the next five years up to 2022-23, more will continue to be formed. These FPOs/ companies require substantial support in starting and managing business operations, and improving incomes and reducing risk for their members.

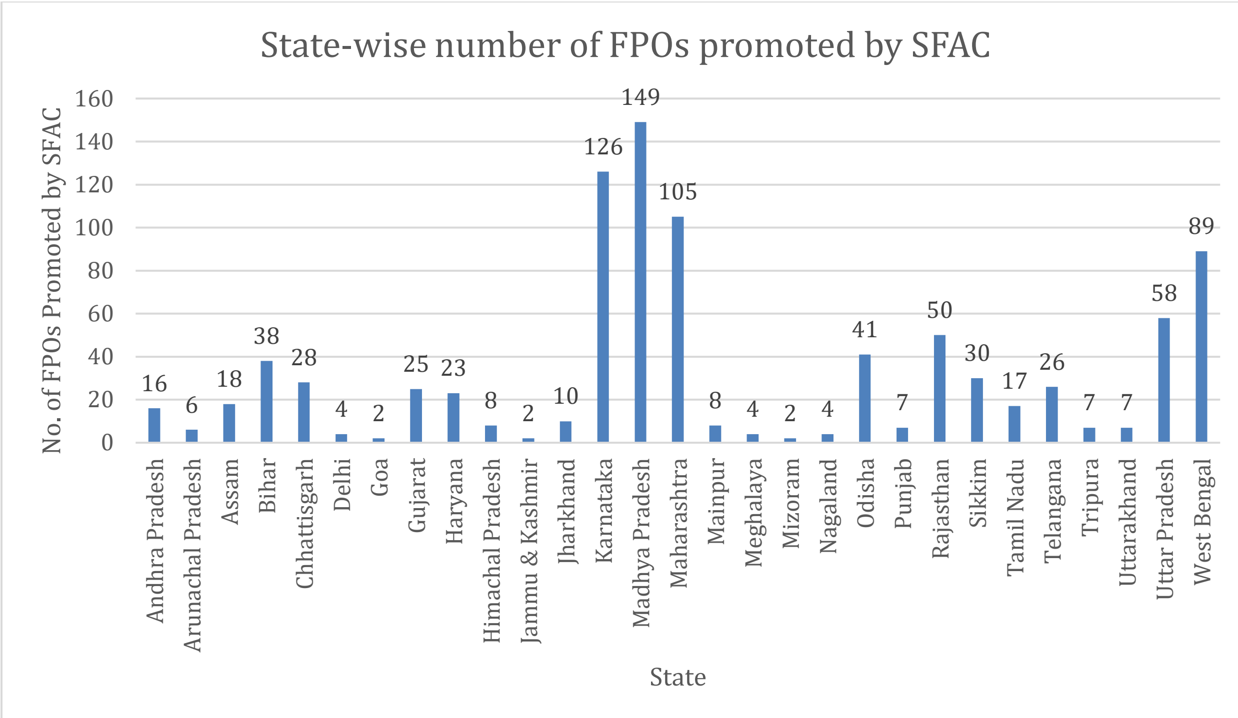

Figure 1: State-wise number of FPOs promoted by SFAC (as on 29th Feb.2020)

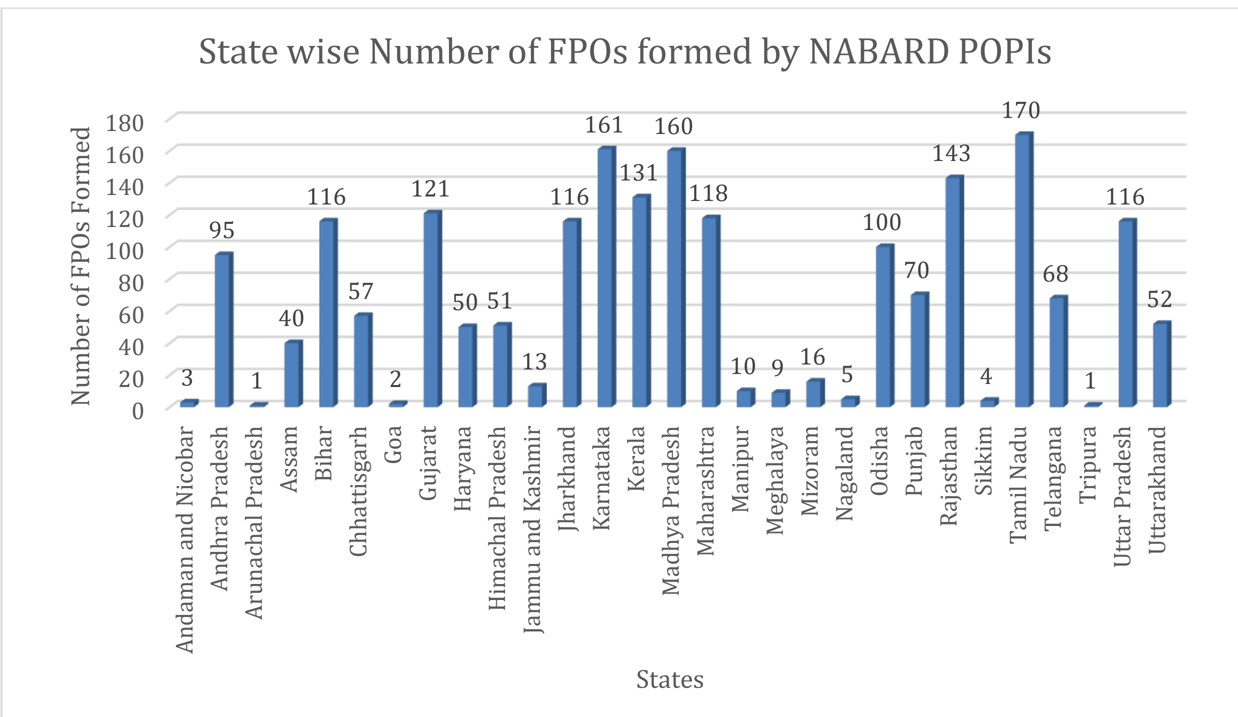

Figure 2: State wise Number of FPOs promoted by NABARD (as on 29th Feb.2020)

It is evident from the Figure 1 and 2 that in case of SFAC promoted FPOs, the States of Madhya Pradesh, Karnataka and Maharashtra are leading, whereas the States of Tamil Nadu, Karnataka, Madhya Pradesh, West Bengal, and Rajasthan have the maximum number of registered FPOs promoted and nurtured by the NABARD's POPIs.

These FPOs are broadly involved into following four business activities –

a. Bulk purchase of inputs required by member farmers;
b. Facilitating to get benefits of Central and State governments scheme in general and to meet requirements of credit, insurance and agro-advisory services;
c. Aggregation of produce for collective marketing;
d. Value-addition by primary, secondary and tertiary processing.

The first two activities are about strengthening backward linkages and next two about forward linkages. However, out of these four areas, most of the FPOs are into 1st (bulk purchase of inputs) business activity and few are in 3rd activity (aggregation of produce for collective marketing). Very few FPOs are venturing into 2nd and 4th business activity. The streamlining forward linkages has always been a challenge for different forms collectives (whether it is cooperative, SHGs and FPOs).

Therefore, to strengthen FPOs functioning and business performance, SFAC has introduced the concept of State Level Federations of FPOs (called as State Level Producer Companies - SLPCs) to create conducive ecosystem for FPOs of the State, aimed at streamlining the backward and forward linkages of FPOs, technology integration and linking them with relevant business stakeholders.

Table 6 shows that as on February 2020, eight (8) of such SLPCs in the States of Gujarat, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh, and West Bengal are working and providing different services.

Table 6: State Level Producers Companies in India

Sl. No.	State	State Level Producer Companies	Date of Registration
1	Maharashtra	Maha Farmers Producer Company Ltd.	03.09.2014
2	Madhya Pradesh	Madhya Bharat Consortium of Farmer Producers' Company Ltd.	10.09.2014
3	Gujarat	Gujpro Agribusiness Consortium Producer Company Ltd.	31.10.2014

4	Telangana	Telangana Rythu Producer Company Ltd.	30.12.2014
5	Uttar Pradesh	UPPRO Kisan Producer Company Ltd.	13.01.2015
6	Rajasthan	All Rajasthan Small Farmer Agri Producer Company Ltd.	24.02.2015
7	West Bengal	Bangia Farmer Producer Company Ltd.	16.03.2015
8	Tamil Nadu	Tamil Nadu Consortium of Farmers Producer Company Ltd.	07.10.2015

Source: SFAC (2019)

The functioning of these SLPCs varies across country and are providing following expected services to their respective FPOs:

a. *Coordination among FPOs* – ensuring capacity building and facilitating fulfilment of compliance requirement

b. *Policy Advocacy* – to raise issues and challenges of FPOs

c. *Backward Linkages* – ensuring accessibility of agri-inputs services, facilitating credit support from financial institutions

d. *Performance Demand* – guidance to realize potential of FPOs in cost effective manner

e. *Forward Linkages* – networking and liasioning with business stakeholders to establish sustainable business activities

7. FPOs Policy Landscape

7.1 Schemes of GoI/ SFAC

Functional challenges faced by FPOs and capital requirements during initial phase of operation prompted the GoI to announce in the 2013-14 Union Budget, two major schemes viz. matching equity grants and credit guarantee support scheme for FPOs (SFAC, 2013).

7.1.1 Equity Grant Fund Scheme

The scheme aimed to increase creditworthiness, shareholding of members, and enhance viability and sustainability of FPOs. The scheme allows eligible FPOs to get equity grant on matching basis to a maximum of Rs. 15 Lakhs per FPC in two tranches within a period of 3 years, subject to a maximum of Rs. 30 Lakhs paid up capital and minimum shareholder of 50 farmers. This would help to increase the members’ participation and ownership in business activities.

7.1.2 Credit Guarantee Fund Scheme

The scheme aimed to provide credit guarantee (maximum of 85%) to financial institutions to enable them to provide collateral free credit to FPOs up to one crore. FPO should have minimum of 500 individual shareholders to avail this scheme. The financial institutions should express their willingness in writing to sanction term loan and/or working capital without any collateral security to SFAC.

7.2 Scheme for Creation of Backward and Forward Linkages

The scheme introduced by the Ministry of Food Processing Industries, GoI, aimed at market integration with the food processing industries by identifying the gap in the existing supply chain in terms of availability raw material and linkages with appropriate market. It provides financial assistance to different forms of collectives, particularly FPOs for setting up of collection centre-cum-processing centres at farm level and retail outlet in local and/or nearest metropolitan city with provision for insulated/ refrigerated transport. Further, the Ministry has empanelled technical agencies to assist farmers/ producers group, SHGs, FPOs. These agencies facilitate the development of business plan/ detailed project report and other relevant support services (MoFPI, 2019).

7.3 NABARD Support: PRODUCE Fund

In the Union Budget 2014-15, the Finance Minister announced the setting up of "Producers Organization Development and Upliftment of Corpus (PRODUCE) Fund of Rs. 200 crore at NABARD for building and promoting of 2000 FPOs in two years (up to 2017-18). The fund is not only for FPOs promotion but also for providing hand-holding support covering capacity building, technical support, professional management, market access, compliance requirements, etc for a minimum of three years (Government of India, 2014).

7.4 Credit Availability to FPOs

Credit availability to FPOs continues to be a problem despite the initiatives of GoI-SFAC on the Credit Guarantee Fund Scheme. Deshpande (2018) observed that FPOs, well nurtured by the institutions, provide a sizeable opportunity to the financing banks and other lending institutions of provision of credit. Deshpande (2019) has reviewed the arrangements for credit through banking system, 'NABKISAN Finance Limited'– a subsidiary of NABARD and certain NBFC/ MFIs like BASIX, FWWB etc. NABARD on its own has also launched its own

Credit Guarantee Scheme for FPOs to primarily support FPOs which are directly funded by NABKISAN Finance Limited. Deshpande, ibid, observed that, even though the FPOs are close to cooperatives in their ethos, cooperative banks have not come forward to finance these FPOs and these cooperative banks need to be motivated to support the FPOs through the extension of credit.

7.5 Union Budget 2018-19 highlights - Focus on FPOs

The 2018-19 Union Budget announced tax exemption subjected to an annual turnover less than 100 crores from farm activities for five years (up to 2023-24) with a view to reduce hardships and to extend support at the FPOs' formative years. The decision intended to promote value addition and encourage professionalism in the operations of FPOs. It is expected that the FPOs should invest profit so earned into their business activities and particularly to enhance productivity through efficient, cost-effective and sustainable resource utilization.

In addition to this, a new scheme of "Operation Greens" on the line of "Operation Flood" announced with an allocation of Rs. 500 crores to promote FPOs, agri-logistics, processing facilities, and professional management. Accordingly, the Ministry of Food Processing Industries formulated scheme for integrated development of Tomato, Onion and Potato (TOP) value chain. The scheme aimed to enhance value realization of TOP farmers, price stabilization for farmers and consumers, reduction in post-harvest losses and increase value addition in TOP crops (Government of India, 2018).

7.6 Operational Mechanism for Promoting FPOs in India

The formation and nurturing of FPOs are actively encouraged and supported by the Central and State Governments and their agencies like SFAC, NABARD, National Cooperative Development Corporation (NCDC), National Agricultural Cooperative Marketing Federation (NAFED), and Food Corporation of India (FCI) by using financial resources from various Central and State Government schemes related to agriculture and allied sector. These agencies have empanelled Resource Institutions (RIs), in the case of SFAC (See Figure 3) and district wise Producers Organisations Promoting Institutions (POPIs) in NABARD case (See Figure 4), to promote and nurture the FPOs effectively and efficiently.

There are some RIs and POPIs whose area of operation is in more than one state and districts respectively. For example, BASIX Krishi Samruddhi Ltd., Indian Grammen Services

(IGS), Action for Social Advancement (ASA), Indian Farm Forestry Development Cooperative Ltd. (IFFDC), Indian Society of Agribusiness Professionals (ISAP), International Traceability Systems Ltd. (ITSL), Evangelical Social Action Forum (ESAF), International Competence Centre for Organic Agriculture (ICCOA), etc.

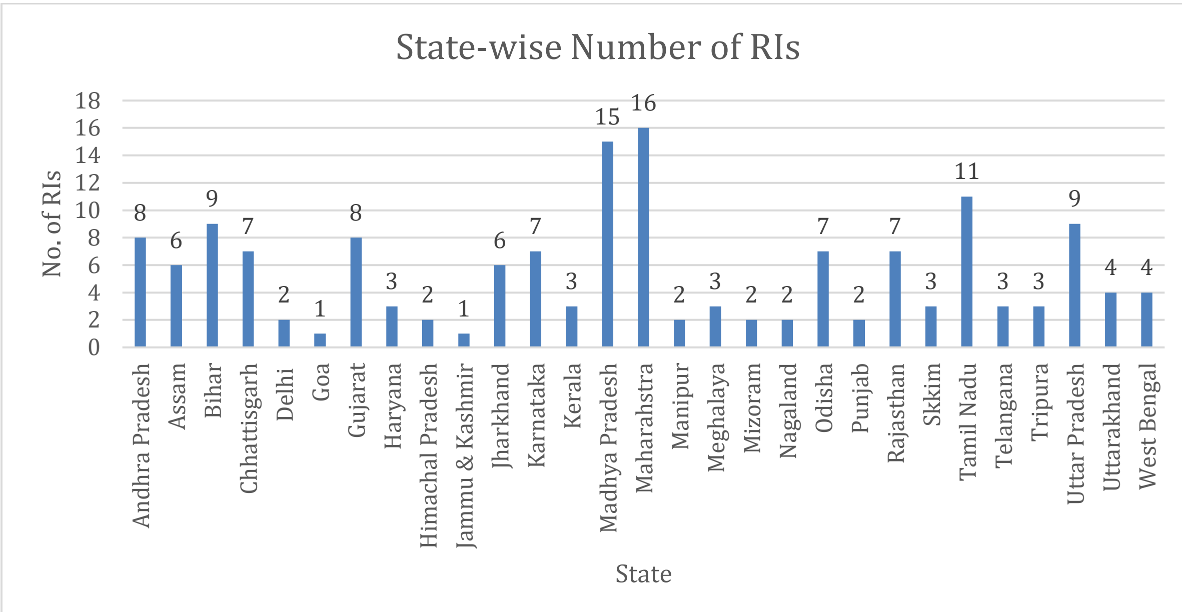

Figure 3: State-wise Number of RIs empanelled by SFAC (Source: SFAC 2018)

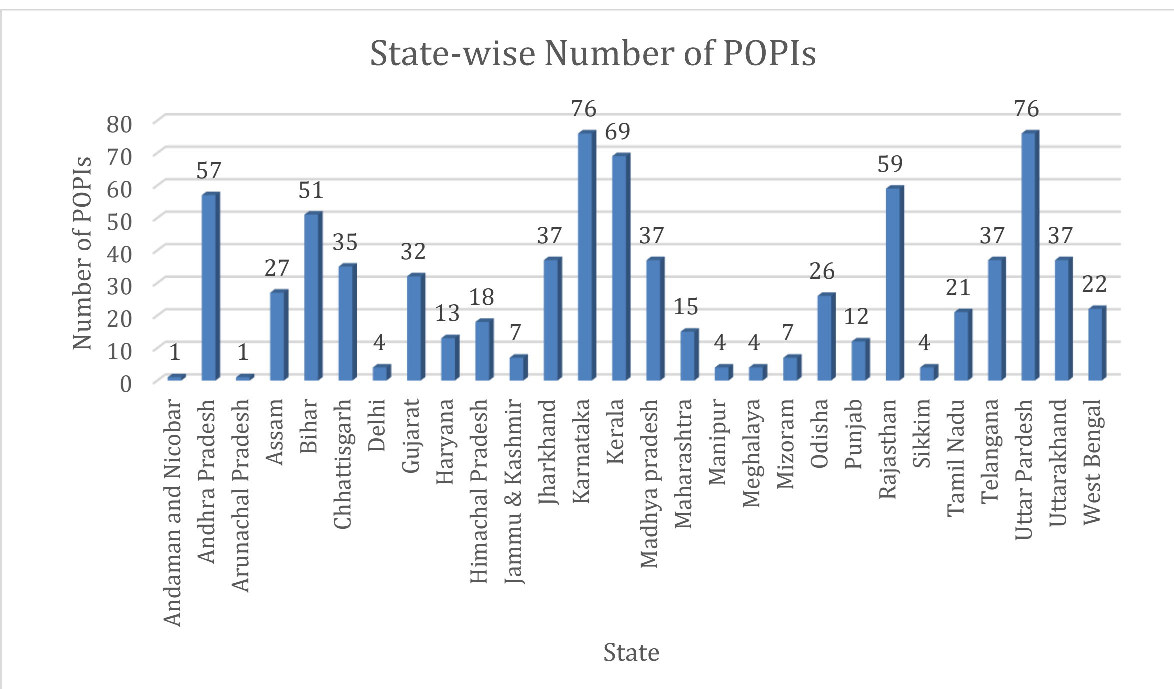

Figure 4: State-wise Number of POPIs empanelled by NABARD (Source: NABARD 2018)

It is evident from Figures 3 and 4 that the State of Maharashtra, Madhya Pradesh, and Tamil Nadu have maximum numbers of RIs. Out of a total number of the district in India, NABARD has identified POPIs in 472 districts, highest among the State of Uttar Pradesh, Karnataka, Kerala, Rajasthan, Andhra Pradesh, and Bihar, having more than 50 POPIs involved in the sensitizing and mobilizing farmers to form a producers company and to extend the handholding support in their respective area of operation.

7.6.1 Roles and Responsibilities of RIs and POPIs

The RIs and POPIs have crucial role in promoting and nurturing FPOs for the period of three years since incorporation. It is expected that RIs and POPIs would ensure the sustainable functioning of FPOs by having appropriate business plan with availability of technical and managerial capability to run the company independently. The responsibilities are categorized into two phases – '*Preparatory Phase'* dealing with 'identification of the potential cluster by undertaking diagnostic and feasibility studies, followed by sensitization and mobilization of farmers to work together for the common cause' and '*Legal Phase'* deals with 'registration of FPOs, resources mobilization, development of business operations management systems, audit and compliance requirements'.

Thus, a lot of efforts are going on in promoting and nurturing this new form of collectives i.e. FPOs. These are being promoted through the empanelled agencies (as highlighted above) and further in view of promoting 10,000 new FPOs the Cluster Based Business Organization (CBBOs) and empaneled agencies will have a crucial role. However, the efforts are going in "target-driven" mode, but this activity is a "process-driven", which will take significant time to convert our farming communities in general and farmers in particular to understand this new form of legal entity. We need to orient and transform our farming communities to be as an "agripreneur" – the term used for agriculture based entrepreneurs- first, then "entrepreneur" and then "executive" of their own producer company. To do so, a massive efforts needs to be undertaken on capacity building of existing FPOs. Further, in view of promoting 10,000 new FPOs (See Box 2) and its sustainability, there is a need to have in built checks and balances on empaneled agencies.

Box 2: CCEA approves scheme for "Formation and Promotion of Farmer Producer Organizations (FPOs) " to form and promote 10,000 new FPOs

On 19th February, 2020 the Cabinet Committee on Economic Affairs (CCEA) approved "Formation and Promotion of Farmer Producer Organizations (FPOs)" scheme to form and promote 10,000 new FPOs during 2019-20 to 2023-24 so as to ensure economies of scale for farmers. The support to each FPO would be continued for 5 years from the year of its inception. A total of Rs. 4496.00 crore for five years (2019-20 to 2023-24) has been approved as a budgetary provision with a further committed liability of Rs. 2369.00 crore for period from 2024-25 to 2027-28 towards handholding of each FPO for five years from its aggregation and formation.

Initially, there will be three Implementing Agencies to form and promote FPOs, namely Small Farmers Agri-business Consortium (SFAC), National Cooperative Development Corporation (NCDC) and NABARD. States may also, if so desire, nominate their Implementing Agency in consultation with Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW).

DAC&FW GoI, will allocate Cluster/States to Implementing Agencies which in turn will form the Cluster Based Business Organization (CBBOs) in the States.

FPOs will be formed and promoted through CBBOs engaged at the State/Cluster level by implementing agencies. The CBBOs will have five categories of specialists from the domain of Crop husbandry, Agri marketing / Value addition and processing, Social mobilization, Law & Accounts and IT/ MIS. These CBBOs will be platform for an end to end knowledge for all issues in FPO promotion.

There will be a National Project Management Agency (NPMA) at SFAC for providing overall project guidance, data compilation and maintenance through integrated portal and Information management and monitoring.

Initially, the minimum number of members in FPO will be 300 in plain area and 100 in North East & hilly areas. However, DAC&FW may revise the minimum number of membership based on experience/need with approval of Union Agriculture Minister.

Priority will be given for formation of FPOs in aspirational districts in the country with at least one FPO in each block of aspirational districts.

FPOs will be promoted under "***One District One Product***" cluster to promote specialization and better processing, marketing, branding & export by FPOs.

There will be a provision of Equity Grant and Credit Guarantee Fund for strengthening equity base of FPOs and to accelerate flow of institutional credit to FPOs by minimizing the risk of financial institutions for granting loan to FPOs.

Adequate training and handholding will be provided to FPOs. CBBOs will provide initial training. Professional training of CEO/ Board of Directors/ Accountant of FPOs will be provided in organizational training, resource planning, Accounting/ management, marketing, processing etc in reputed National/ Regional training Institutes.

(Source: PIB, 2020)

8. Advantages of Farmers' Producer Company experience in India

Giel Ton *et al.,* (2014) in their collaborative research to study the Empowering Smallholder Farmers in Markets (ESFIM) Programme as a supportive policy activity undertaken by National Farmer Organisations (NFOs) for improving smallholder market access. The study, covering 15 countries (but India was not a part of the research) found that the ESFIM programme has helped to increase coherence in advocacy priorities and influenced decision making on key policy issues. In most organizations, ESFIM contributed to the advocacy process, together with many other actors and factors defining advocacy. The study suggests that earmarking funds for NFO-led research support, to facilitate the participation of smallholders in the design and monitoring of development policies. The benefits observed/ received from FPO movement as reported by prominent studies/ researches have been listed in Table 7.

Table 7: Benefits observed/ received from the FPOs Movement

Sl. No.	Advantages	Authors
1	Articulate farmers needs and interests	De Marsh, P. et al., (2014)
2	Access to inputs, provides technical know-how/ information	Raj M. Desai & Shareen Joshi (2014); NABARD (2015); DSC (2007), ASA (2009)
3	Economies of scale which reduces the cost of production	Venkattakumar and Sontakki (2012), Singh and Singh (2014), Venkattakumar *et al*. (2017)
4	Better negotiation and bargaining positions	Murray (2009), Venkattakumar *et al*. (2017)
5	Enhance producers share in consumers rupee by linking producers to market for getting fair prices for farmers produce; Reduces Transaction cost	Venkattakumar and Sontakki (2012); Shubhangi Salokhe (2016); Raj M. Desai & Shareen Joshi (2014)
6	Vertical and horizontal coordination and value chain	ASA (2009), Trebin (2014)

	management	
7	Risk mitigation	DSC (2007), ASA (2009), Raj M. Desai & Shareen Joshi (2014)
8	Capacity building and (economic and social) Empowerment of members	DSC 2007, ASA (2009); Murray (2009), Venkattakumar *et al*. (2017)
9	Can protect small farmers from ill effects of globalization	Trebin and Hassler (2012)
10	Benefits from Value Chain	Aziz Elbehri and Maria Lee (2011) *KV Raju and Piyush Kumar Singh (2014)*
11	Facilitating processing of agri and livestock produce	Puneet Singh Thind (2015)
12	FPOs provide a sizeable opportunity to the financing banks and other lending institutions of provision of credit	Deshpande (2018)
13	FPO is a 'Win-Win' proposition for all the stakeholders	Deshpande (2019)

Table 7 shows that the FPOs movement help farmers to strengthen their backward (access to inputs, technical information, etc.) and forward linkages (economies of scale, transportation, marketing, processing, etc.) in several countries and thereby have provided a cordial level playing field for cooperation with business outlook and have restored the passion of cooperative movement initiated with the aim of empowering the farming community.

9. Issues and Challenges of FPOs in India

Though the concept of FPOs is in the nascent stage, the review of research studies commissioned by govt. and its enabling agencies, private organizations, CSOs, etc. have demonstrated the positive role of FPOs. However, there are certain challenges in the formation, functioning and sustenance of FPOs movement in India, as highlighted in Table 8.

Table 8: Issues and Challenges in the Functioning and Sustenance of FPOs Movement

Issues and Challenges	Possible Solutions
Establishment of FPOs	
Less efforts on sensitization and mobilization of farmers on - ● "Need to form FPO" ● Roles and Responsibilities of	There is no Standard Operating Procedure (SOP) and checks and balance in the FPO guideline on field approach to be used by the empaneled agencies to promote and nurture the FPOs.

Members and Office Bearers ● Lack of clarity in terms of choosing the most appropriate structure of the FPOs.	Most of the Agencies have failed to create "*a sense of belongingness and Ownership*" among member farmers (which are basic indicators of sustainable development of any intervention) Wadkar (2018) emphasized on the approach of promoting institutions, where they need to give more focus on sensitization and mobilization of farmers as per their felt & unfelt needs, and an orientation needs to be given to transform member farmers from "farmer-to-agripreneur-to-entrepreneur" with the professional business approach.
Identifying and building capacity of Resource Institutions (RIs) / Producer Organisation Promoting Institutions (POPI)	Such RIs and POPIs need to be identified for promoting the FPOs which have some experience in this or similar interventions. Their capability also needs to be developed as the RI / POPI is very crucial for success of FPO.
Mobilising farmers for joining FPO	The farmers have to be motivated by the promoting institution (RI or POPI or other agency) meetings, videos, exposure visit, etc. Ideally 1000 farmers need to be enrolled as members.
The small farmers are significantly contributing but does not enter into the value chain	As the small/ marginal farmers have limited land the production of field crops is less leaving very little marketable surplus if any. However if such farmers join a collective like FPO they may switch to a commercial crops, which may fetch much better income by way of collective action. The higher income may also be received because of value addition by FPO.
Three Years – Promotion and handholding support by agencies is very less. SFAC and NABARD should recognize this and extend support from the present 3 years to minimum 5 years and maximum of 7 years.	The lessons learnt from similar programmes like SHG promotion, watershed projects implementation etc., need to be incorporated into FPO support system. In those projects, at least 5 years support was provided to the support organisations (usually NGOs) and capacity building of the NGOs was also supported under the programmes. Similar approach may have to be considered in FPOs also for sustainability. Undertaking constructive approach based on the philosophy and principles of social work by the

	agencies may be more appropriate than top-driven approach. Following steps may be taken up – Massive efforts on sensitization and mobilization of the farmers on identification of their need and interest, awareness creation, building confidence, convincing, capacity building for collective production, processing, value addition and marketing, etc. conducting trainings, demonstrations, exposure visits, buyer-seller meets and Stakeholders' Meets. Handholding support and financial support for salary of CEO of FPOs is also required.
Business Operations	
The business mode of operation is either absent or a lot of improvement is required in that regard to develop professional approach to business. At present, farmers do not have confidence/ belief that companies can give them profits. They are also a little afraid of companies, as they are not familiar with dealing with this form of business units.	The responsibility of generating the confidence about the concept of FPO is on the RI/POPI. They need to mobilise and motivate the members and the opinion makers by way of various means available like videos, trainings, meetings, exposure visits, etc. If the CEO is capable the business can be built also over some time.
Lack of feasible business plans with FPOs	The format/template developed by Bankers Institute of Rural Development (BIRD) could be of great use in developing robust business plans which could be accepted by banks/ other financial institutions for funding the FPOs.
Low value addition and weak value chain management	The RI/POPI need to very carefully identify the produce on which the FPO will be focused. Then each '*value node'* need to be identified and interventions planned for taking care of that 'value node'. The FPO may need to invest in the technology for handling those value nodes. For example in case of pulses, dal mill could be thought of as an activity of the FPO.
Lack of basic infrastructure which might affect the transportation, storage, value addition etc. and results in high wastage	There is little an FPO can do to take care of infrastructural bottlenecks but before starting the activities all these constraints need to be identified so that after a thorough analysis only the activities

	are taken up through FPO.
Lack of skill to maintain business records and accounts. This is a basic requirement but many of the FPOs are lacking in it. It is being managed through engaging CA Firms	The concern expressed is that the FPO is supposed to do this work themselves and not depend on the services of CA. A good training to the CEO and other staff if any will be sufficient,
Competition with rich middlemen	There is an uncomfortable situation between the FPO and the middlemen. However with the emphasis on value addition and other interventions, the role and dependence on local middlemen would come down.
Technology application to increase efficiency in the production and post-production	The RIs/POPIs are supposed to help in adopting appropriate technology for production, post-harvest technologies. There is a need to establish the knowledge linkages with National and State Agricultural Universities for introducing and implementing Good Agricultural Practices (GAP) with appropriate technology to enhance the productivity and efficiency of all agricultural operations (VAMNICOM, 2018).
Poor market information or market imperfections results into increase in transaction costs and coordination problems along the production-to-consumption value chain. Lack of capital credit so unable to pay on delivery	With the availability of smart phones and data connectivity and several data sources being online, it may be possible for each FPO to learn these techniques. Capacity building by RI would help in this aspect (Bekele Shiferaw, Gideon Obare, and Geoffrey Muricho, 2006).
Lack of/ Inadequate Professional Management Identification and Retaining Professional as Chief Executive Officer (CEO) Lack of technical Skills/ Awareness	Non availability of a good CEO for FPOs is a big problem. In order to attract young people for taking up this challenge. Provision of salary – may be on a tapering basis after 2 years may be provided in the project.
Governance and Capacity Building	
How far the member farmers are capable of running a Company? They are likely to remain passive and all the control will be exercised by the CEO, that may be risky affairs	The Board of Directors need to appreciate that CEO is for helping farmers to get better value. They need to be conveyed either in meetings or in training that the FPO is not for politics or power hungry people. All the board members, especially the Chairman, and members should undergo the training programme on the basic aspects of FPO

	management, board matters, roles and responsibilities, business development and compliance requirement.
Capacity building of FPOs	Tripathy (2018) suggested that the farmers in the FPOs must have clear understanding of the critical issues that range from the company goal to areas of operation, assessment of land and other input requirements, capacity to run a business enterprise, financial and techno-operational viability of an economic unit and adequate capacity building efforts are needed in this direction.
Finance	
Difficult in mobilizing equity capital requirements in starting FPCs and further in increasing membership base	If the FPO devises the benefit to members carefully then farmers would like to become members. But they need to be convinced.
Lack of collateral security in availing bank loan /Fund Mobilization and credit support for undertaking post-production activities	Swati Chauhan (2016) has pointed out this issue but as per the SFAC scheme and also NABARD scheme (Credit Guarantee Fund Trust), collateral free loans could be made available to the FPOs. Equity grant contribution from SFAC is also significant.
Lack of hand-holding support from State governments	The State Governments need to support the FPOs wholeheartedly and include them as implementing agency for their programmes.
Financing FPOs based on ● Incubation and Early Stage, ● Emerging and Growing Stage, ● Matured Stage (Business Expansion). Need to reorient the funding ecosystem to support the newly formed FPOs	As indicated by Khanna and Ghatak (2014), if the funding is arranged on this systematic manner, it will help the FPOs in meeting the finance requirements. There is a strong need of sensitizing bankers about the concept of FPOs. It is a win-win situation of the FPOs and banks if they finance the FPOs. As of now the FPOs are facing quite a big problem of financing their requirements for funds.
Financing FPOs - a Big Business Opportunity for Banks	The banking system is generally not involved in financing FPOs. Financial institutions need to be sensitized on financing FPOs, particularly Regional Rural Banks (RRBs) and District Central Cooperative Banks (DCCBs) could play a pivotal role (Deshpande, 2019; VAMNICOM, 2018).
Sustainability of FPOs	
● The integrity and quality of the	FPOs may be supported at least for 5 years and/or

leadership, its acceptance within the community is important ● Understanding about market environment ● Poor or no market linkage and no knowledge about market information among farmers ● Sense of belongingness and ownership towards FPOs activities	ideally for 7 years by the empanelled/ supporting agencies. Affiliation is needed at various levels to provide holistic support to FPOs. A lot of efforts is required to bring the sense of belongingness and ownership regarding the FPO among the farmer members. Capacity building is the absolute prerequisite on several matters like governance, compliance requirements, business planning, accounts and auditing, marketing tactics, business etiquettes, etc. (VAMNICOM, 2018).

10. Strategy to promote New 10,000 FPOs and Making FPOs Competitive and Sustainable

The FPOs are seen as a vehicle to address agrarian distress and to do so a holistic effort is needed to strengthen the FPOs movement. It is not only collectivizing the smallholders and enhancing & expanding their forward and backward linkages but also how we can address the multi-layered structural issues causing agrarian distress like vagaries of climate and market, exploitation of natural resources, loss of biodiversity, etc. The authors present some of the critical policy reforms and other suggested measures to be initiated by the Govt. of India and other relevant stakeholders for strengthening and scaling up of the FPOs movement in the country, could be as under -

- Given the global development scenario, there is a dire need to orient farmers about the '*transformation of Indian agriculture'* and need to view agriculture as a business profession.
- FPOs promoting agencies/ resource institutions should involve farmers at different points of time/ during the formation of FPOs for inculcating the '*sense of belongingness and ownership*' towards the development intervention.
- FPOs need capacity building training on different aspects of viz. governance, financial management, business development plan, and leadership.
- FPOs need to be promoted and educated for direct marketing and use of the digital platform of marketing of their produce so that they can avail of the benefits of the revised APMC Act and e-NAM Policy.

- There should be a "*community investment fund*" for FPOs to build infrastructure for primary processing and logistic support for the marketing and distribution of their produce.
- The State Level Producers Company/ Federations of FPOs may be given an opportunity for the procurement of food-grain at the MSP rate.
- A comprehensive performance matrix may be designed for FPOs to assess their functionality and creditworthiness. Although such a matrix has been developed by some agencies (like NABKISAN), it needs to be shared in public domain so that the FPOs are aware of the parameters used by such funding agencies for financing. Then they can work on those specific areas where they are lagging or are weak.
- To transform "*Farmer-to-Executive*" of Producers Company, capacity building workshop may be conducted to educate them about "*governance and statutory compliance requirement*" may be provided at least during initial 10 years to understand the regulatory business environments and stabilize their business operations.
- To fulfill the existing gap of getting passionate and committed professionals as a CEO of FPOs, the public and private agricultural institutions and/or management institutes may introduce a certificate course on "*Managing Collectives*" or "*Management of FPOs*" of a minimum of two weeks duration to orient the agricultural professionals to pursue their career goal in the development sector in general and as CEO of the FPOs.
- The FPO promoting institutions or agencies should give more emphasis on sensitization and mobilization of farmers, their felt and unfelt needs, and should give them an orientation to transform from farmer to agripreneur with the professional business approach.
- There is a need to develop technical and professional competencies of BoDs and CEO to manage the FPOs functioning and would be in a position to develop a business plan with a strong forward and backward linkages to earn a larger share in the retail sector.
- All members of FPOs needs to be educated on '*sustainable forms of cultivation'*, as they have the potential to restore ecological balance and improve productivity in the long run.

11. Factors Determining Sustainability of FPO Movement

Based on the authors' experience of study of various FPOs, it is felt that following point are most important for sustainability of FPO movement:

a. Local leadership with passion and commitment for development
b. Availability of full time and well-trained CEO
c. Trust among members and office bearers and mutual exchange of benefits
d. Networking and liaising with key stakeholders include market players, financial institutions, technical institutions, and State & its enabling agencies
e. Technology integration at a different level for enhancing operational efficiency and profitability
f. Transparency in business operations
g. Increased income of members due to more business transactions with FPOs will lead to loyalty and ownership

12. Conclusion

Indian smallholder farmers possess low economic strength to use appropriate production technology, management of farm business, marketing and processing. The collective action by aggregating/ collectivizing smallholders will have better collective strength for improved access to quality inputs (includes, seeds, fertilizers, credit, technology), enhance and expand marketing opportunities and can venture into secondary and tertiary processing through economies of scale for better price realization and reducing production cost.

In view of this, three major forms of collectives' viz. cooperatives, SHG and FPOs have been discussed in this paper. These collectives broadly addressed to cater the social, economic, cultural and aspirational needs of the farming communities and rural women. They all are working for bringing in sustainable changes in the lives of rural people. Among which FPOs – a hybrid model of cooperatives and corporate has been seen as a potential vehicle to overcome the issues and challenges of cooperatives on one hand and to enhance 'farmers share in consumer rupee' and reduction of 'production cost' on another side.

The Cooperative movement since 1900s has played a crucial role and served the community towards its socio-economic development. The status, issues and challenges of different types of cooperatives varies across States. However, the cooperative leadership became politicized and diluted over the period of time and more particularly couldn't withstand after LPG era. However, the FPOs as an alternative model, though is in a nascent stage, is trying to overcome the issues and challenges of the cooperatives. This requires pro-active support both from the farmers and Central- State government side to make them smart and competitive.

The SHGs movement is also playing very important role in terms of women empowerment and poverty alleviation. The movement has come long way from "*thrift and saving based approach*" to "*livelihood-based approach*". However, there are structural issues which need immediate attention in order to make them self-sustainable.

All these forms of collectives are struggling to streamline the forward linkages in order to reap the benefits of entire agri-value chain. Further, their promotion and sustenance is 'process-driven' so the 'target-driven' approach will not lead to achieve the desired result which we all are expecting i.e. income enhancement and production cost reduction. Moreover, the concerted efforts by key stakeholders needs to be undertaken on 'capability' and 'capacity' enhancement of farmers and rural women in order to make these member-driven and member-controlled organization smart, competitive and self-sustainable. The need of the hour is to get integrated and draw synergy from other forms of collectives to ensure implementation of a robust model of collectives for sustainable and inclusive livelihood generation. This would go a long way in actualizing the country's dream of 'doubling the farmer's income' by ensuring a sustainable rural prosperity.

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Endnotes:

[i] The non-credit cooperatives, particularly producers' cooperatives, dairy cooperative movement started in 1950s in Gujarat under the leadership of Mr. Tribhuvan Das Patel by organizing Kheda district dairy farmers into Anand Milk Union Limited (AMUL). Further, under the leadership of Dr. Verghese Kurien (Father of the white revolution in India), successfully established need-based three-tier dairy cooperative structure (Dairy cooperative society at the village level, Dairy Cooperative Union at district level and Dairy Federation at the State level). Further along with the National Dairy Development Board (NDDB) replicated Gujarat State Dairy Cooperative Model popularly known as "AMUL Model" across country under three phases of 'Operation Flood". As a result, State wise milk brand came into existence such as, Amul in Gujarat, Aavin in Tamil Nadu, Nandini in Karnataka, Parag in Uttar Pradesh, Saras in Rajasthan, Sudha in Bihar, Verka in Punjab, Vijaya in Andhra Pradesh State, etc. The share of dairy cooperatives varies across India, but dairy cooperatives are still relevant because of direct link with the producers, assured and easy market access, nurturing milk shed area by providing technical and extension services, fair and transparent milk collection, 75-80% producers share in consumers' rupee, better quality of milk and milk products for the consumers, etc. During same period, Prof. D. R. Gadgil persuaded a farmer's leader Shri. Bala Saheb Vikhe Patil to promote the sugarcane cooperatives. About 656 cooperative sugar mills are working in different parts of the country, contributing to 40% of total sugar production.

[ii] The concept of SHGs is defined as, "voluntary association of poor people, preferably from the same socio-economic background, come together for the purpose of solving their common problems through self-help and mutual help and mutually agree to contribute a given amount to be lent to any of its member to meet their consumptive needs".

[iii] The sustainability of the SHGs was always a concern as these were the small sized unregistered groups of poor women. To create a supporting organisation for the SHG movement, the GoI took the initiative of creating a huge 5 tier support structure of DAY-NRLM, at the national level – National Mission Management Unit (NMMU), State Mission Management Unit (SMMU) at the State level, District Mission Management Units (DMMUs) at District level, Block Mission Management Unit (BMMU) and Community Cadres (includes Bank Sakhis, Krishi Sakhis, Pashu Sakhis, Udyog Sakhis, Book Keeper, Cluster Coordinators, CLF Manager, CLF Accountant, etc.). This parallel supporting structure provide hand-holding support to SHGs at the ward level, Village Organisations (VOs) at the village level and Cluster Level Federations (CLFs) at block/ sub-block level. The CLFs are expected to become financial institution and/or sustainable livelihood promotion bodies for helping the SHGs. The work is moving fast in this direction in most of the States and it is fervently hoped that through this support, the SHGs will become smart, competitive and sustainable for enabling their poor women members to get out of the curse of poverty forever.

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