



Impact of Farmer Producer Organizations on Rural Employment

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Abstract

Farmer Producer Organization is a group of farmers who work together to produce, market, and process agricultural products. FPOs can be formed at the village, block, district, or state level. The main aim of the FPOs is to increase the income for the producers through an organisation of their own. A small producer does not have the volume to take advantage of economies of scale. A chain of intermediaries in agricultural marketing often works non-transparently, leading to a situation where the producer receives only a small portion of the value that the ultimate consumer pays. The FPOs will help to eliminate the chain of intermediaries in agricultural marketing.

Farmers' collectives such as the FPOs that combine the spirit of cooperation and principles of business can significantly contribute to agricultural growth and rural development by improving the scale economies in the production and marketing of agricultural commodities, especially in agrarian economies dominated by smallholders. Farmers benefit from their association with FPOs in several ways — better and affordable access to technologies, inputs, information, services, finances and markets, higher price realization, less price risk, and reduction in transaction costs

The Indian Government has initiated a new organizational pattern in agricultural production and marketing to integrate large firms, and encouraged the groups of small and marginal farmers, who are the main manufacturers of agricultural output, and linked with the corporate buyers. Farmers Producer Organizations (FPOs) are a collectivization of producers, especially small and inputs, technologies, and markets.

Key words: Farmer Producer Organization, Intermediaries, Marketing, Small and marginal farmers, Non-transparently, Job opportunities, Empowering women,

Objectives of the Study

1. To explain the meaning and significance of Farmer Producing Organizations in empowering farmers' profitability.
2. To identify the importance of Farmer Producing Organizations in achieving "women farmers' empowerment"
3. To discuss the impact of Farmer Producing Organizations in getting better prices for agricultural products and in uplifting the livelihoods of small and marginal farmers.
4. To analyze the role of Farmer Producing Organizations in improving employability opportunities for rural youth.

Methodology

The methodology adopted in this paper, with the help of the data from secondary Sources.

Introduction

FPO stands for **Farmer Producer Organization**, which is a collective of farmers who come together to form a group or cooperative. The purpose of an FPO is to improve the economic and social welfare of farmers by providing them with a platform to work together for better access to resources, markets, and services.

FPOs are established to promote collective farming and the welfare of farmers, especially smallholders. These organizations enable farmers to join forces and overcome common challenges such as limited access

to quality seeds, fertilizers, technology, finance, and markets. By forming these groups, farmers can leverage economies of scale, access government schemes, and promote sustainable farming practices.

Structure of FPO

- **Member Farmers:** Farmers who are the primary stakeholders. Mainly small and marginal farmers.
- **Board of Directors:** Elected representatives who govern the FPO.
- **Manager/CEO:** A professional manager who handles the day-to-day operations of the FPO.

Mobilising farmers into groups of between 15- 20 members at the village level (called Farmer Interest Groups or FIGs) and building up their associations to an appropriate federating point, i.e.

1. Farmer Producer Organisations (FPOs) to plan and implement product-specific cluster/commercial crop cycles.
2. Strengthening farmer capacity through agricultural best practices for enhanced productivity.
3. Ensuring access to and usage of quality inputs and services for intensive agriculture production and enhancing cluster competitiveness.
4. Facilitating access to fair and remunerative markets, including linking of producer groups to marketing opportunities through market aggregators.

Producer Organisations can also be formed and registered as a Cooperative Society under the following Acts:

- a) Cooperative Societies' Act of the Individual State
- b) Autonomous Cooperative Societies' Act existing in many States (minimal State intervention)
- c) Multi State Cooperative Societies' Act, which is a Central Act

Status of FPOs in India

According to the database of the Ministry of Corporate Affairs, Government of India, there are 24183 FPOs present as of March 31, 2023 (NAFPO 2023). Most of the FPOs are concentrated in Maharashtra, Karnataka, Madhya Pradesh, Telangana, and Uttar Pradesh.

FPOs and employment

Farmer Producer Organizations (FPOs) are collective entities formed by farmers to enhance their collective strength in production, processing, and marketing activities. Farmer Producer Organizations (FPOs) significantly impact employment in rural areas, and their influence can be seen in various ways.

Farmer Producer Organizations are vital in promoting employment, particularly in rural areas where job opportunities are often limited. By offering direct and indirect job opportunities, promoting skill development, empowering women, and supporting local businesses, FPOs contribute to both agricultural profitability and economic growth in rural regions.

1. Direct Employment Opportunities

FPOs create direct employment opportunities for farmers and rural workers. By aggregating farmers' produce and providing them with better access to markets, FPOs require personnel for various activities, such as:

- **Management and administration:** FPOs need skilled management teams to handle operations, logistics, accounting, and coordination.
- **Processing units:** If the FPO is involved in processing agricultural produce (e.g., turning raw crops into packaged goods), this creates local jobs in processing, packaging, and quality control.
- **Marketing and distribution:** Jobs related to logistics, transportation, and sales are created to market the products and ensure timely distribution.

2. Skill Development

FPOs often focus on improving the skills of their members and the local workforce through training programs. These skills may include:

- **Agricultural techniques:** Training farmers in modern farming techniques, which can increase productivity and lead to more employment in farming activities.
- **Business management and entrepreneurship:** Empowering farmers to not only produce but also market and manage their agricultural products, leading to greater involvement in business operations and management.

3. Job Creation in Ancillary Sectors

FPOs often collaborate with other stakeholders, including input suppliers, transportation services, and agri-tech companies, thereby boosting employment in sectors such as:

- **Supply chain:** As FPOs expand and streamline supply chains, employment is created in warehousing, cold storage, and logistics.
- **Agri-tech services:** FPOs may partner with technology providers for better crop management, pest control, and market linkages, which can result in employment in technology and software-based solutions.
- **Financial services:** FPOs may offer financial products to their members, creating jobs in rural finance, insurance, and micro-financing.

4. Empowering Women and Marginalized Communities

FPOs can particularly benefit women and marginalized groups in rural areas by offering them better market access and fair wages. Women can be employed in various activities such as:

- **Processing and packaging:** Many FPOs involve women in post-harvest processing and value-added activities, which generate income and create jobs.
- **Leadership roles:** Women, especially in rural areas, are increasingly taking leadership positions within FPOs, thus contributing to local governance and decision-making.

5. Long-Term Employment Sustainability

By providing better market access, fair pricing, and infrastructure support, FPOs can make farming more viable and sustainable. This helps prevent migration from rural areas to urban centers in search of employment, thus ensuring that agriculture-related employment remains stable over the long term.

6. Indirect Employment through Local Development

As FPOs grow, they often stimulate local economic development, which indirectly generates employment. This can include:

- **Rural infrastructure projects:** Investments in rural roads, storage facilities, and irrigation systems can lead to job creation in construction and infrastructure management.
- **Local businesses:** With increased revenue from agricultural production, rural households can engage in or expand small businesses, contributing to job creation in local economies.

7. Promoting Agricultural Diversification

FPOs may encourage the diversification of agriculture by promoting new crops or value-added products (like organic products or processed food). This not only increases income for farmers but also opens up new job opportunities in sectors like organic farming, marketing, and niche product industries.

Challenges and Limitations

- **Limited access to capital:** One of the barriers for FPOs is limited access to funding for expansion, which could hinder their ability to create more jobs.
- **Capacity building:** Despite the potential, there is often a lack of skilled personnel to manage the FPOs, which can restrict their growth and employment impact.
- **Market access:** If the FPO does not have proper access to markets or fails to organize effectively, employment creation may not reach its full potential.

Conclusion

Farmer Producer Organizations play a vital role in promoting employment, particularly in rural areas where job opportunities are often limited. By offering direct and indirect job opportunities, promoting skill development, empowering women, and supporting local businesses, FPOs contribute to both agricultural and economic growth in rural regions. However, for FPOs to have a more significant and lasting impact, efforts must be made to address challenges such as access to capital, skills training, and market linkages.

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