



Role of FPOs in Agriculture and Fishing Sector

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Introduction:

FPO (Farmer Producer Organizations) is an organization where the members are farmers. They provide end-to-end support to small farmers, covering technical services, marketing, processing, and other aspects of agriculture inputs. The government, NBFCs, civil societies, and other financial institutions have invested in FPOs, looking at their significant role in the future of rural development. FPOs have the potential to act as a motivation for change in the economic system of our nation.

In India, the necessity for an FPO arose as a result of farmers' struggles to get their goods into major markets. FPO helps small farmers improve the quality of their food by giving them quality seeds, teaching farmers how to manage soil, use less fertilizer, manure, irrigation, and livestock. Along with assisting in the selling of goods to larger and better markets, it also updates and aids farmers in implementing cutting-edge farming equipment and upgrades in technology.

FPOs have emerged as crucial mechanisms to address the challenges faced by the agriculture sector in India, such as fragmented land holdings, limited access to markets, and inadequate infrastructure. FPOs are collective enterprises formed by farmers to enhance their income, improve livelihoods, and ensure sustainable agricultural development. They facilitate collective bargaining, market access, input procurement and distribution, capacity building and training,

technology adoption, financial services, value addition and processing, policy advocacy, risk mitigation, and social welfare activities. The benefits of FPOs include economies of scale, input procurement and cost reduction, income enhancement, and empowering farmers. However, FPOs also face challenges related to limited access to finance, capacity and skill development, infrastructure and technology, market linkages and price realization, policy and regulatory support, social inclusion and gender equity, and sustainability and governance. Overall, FPOs have emerged as key drivers of rural development and the growth of agribusiness in India, contributing to the welfare of farmers and the sustainable development of the agricultural sector.

Fish Farmers Producer Organisation:

Fish farming is a rapidly growing industry across the world, with an increasing demand for fish and seafood products. In recent years, the concept of Fish Farmer Producer Organizations (FFPOs) has emerged as a popular model for promoting sustainable fish farming practices and improving the socio-economic conditions of small-scale fish farmers. FFPOs are collective organizations of fish farmers who come together to achieve common goals related to production, marketing, and value addition of their fish and seafood products. These organizations aim to provide small-scale fish farmers with a platform to access technical, financial, and marketing support, which they would otherwise find difficult to access individually.

Presently, there are several FFPOs operating across the world, which have been successful in improving the livelihoods of small-scale fish farmers. In India, for example, the National Fisheries Development Board has been promoting the establishment of FFPOs as a means to improve the socio-economic conditions of small scale fish farmers. The PMMSY, to be implemented over a period of five years from FY 2020-21 to FY 2024-25, seeks to ensure the socio-economic development of fishers, fish farmers, and fish workers with the goal of doubling their incomes. The scheme includes the establishment of

500 Fish Farmers Producer Organizations/ Companies (FFPOs/ Cs) to empower fishers and fish farmers and enhance their bargaining power. Among these, 300 FFPOs will be set up under PMMSY, while the remaining 200 will be established through convergence with the Department of Agriculture, Cooperation, and Farmers Welfare's ongoing FPO Scheme. Additionally, the Department aims to establish a total of 720 FFPOs through convergence with other schemes and programs of the central and state governments, in collaboration with the Department of Agriculture, Cooperation, and Farmers Welfare, Ministry of Agriculture and Farmers Welfare.

The key features of an FPO are mentioned below for a better understanding of how FPO works.

- The FPOs are voluntary organizations controlled by members who are farmers actively participating in making decisions and setting policies.
- They are open to people who accept the responsibilities of membership without any sort of discrimination.
- Their farmer-members, managers, elected representatives, and employees are provided with training and education to efficiently contribute to the FPOs' growth.
- 'One District One Product' promote the FPOs to encourage better branding and specialization, processing, marketing, and exports.

The Need for FPOs and their Role in Business development

Taken together, small and marginal holdings (below 2 hectares) constitute 85 percent of the farming community in India. Small farmers face various farm- and household-specific transaction costs, limiting their ability to participate in input and product markets. As food preferences change toward a diversified, higher-quality diet due to income and population growth, small-farm commercialization is crucial to meet this rising demand.

Aggregation models are potential institutional interventions that help redress the constraints of small farms, wherein groups of producers jointly manage resources or access credit, inputs, information, and product markets to reduce transaction costs. Successful aggregation models have shown increasing economies of scale, decreased transaction and coordination costs, improved access to markets, and investment in yield-stabilizing technologies like irrigation and improved crop varieties to be the main benefits of organizing farmers.

In the past, cooperatives were the most common form of aggregation model in rural India. With the exceptions of dairy and sugar, cooperatives in India have been mostly ineffective due to issues involving incompetent management, political interference, financial irregularities, and corruption within the organizations. Poor management also made many cooperatives dependent on government funds for working capital. Cooperatives mandated government representation on their governing boards, allowing political interference in their functioning which further hindered growth.

What is the Need of an FPO for Farmers?

Farmers/ fishers in India face tremendous hardships which include the following -

- Small Size of landholdings. Nearly 86% of farmers are small and marginal with average land holdings in the country being less than 1.1 hectares.
- Good quality inputs are out of reach of small and marginal farmers mainly because of exorbitant prices of better seeds.
- Less or no accessibility to large scale mechanisation.
- Challenges in marketing their products due to lack of economic strength. In the absence of sound marketing facilities, the farmers have to depend upon local traders and middlemen for selling their farm produce which is disposed of at an extremely low price.

- FPOs help in the collectivization of such small, marginal and landless farmers/fishers in order to give them the collective strength to deal with such issues.

Aim of Farmer Producers Organisation

The main aim of FPO is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural and fish marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. This will be eliminated.

Through aggregation, the primary producers can avail the benefit of economies of scale. Farmers Producers will also have better bargaining power in the form of the bulk buyers of produce and bulk suppliers of inputs.

Difference Between cooperative societies and Producer Companies

Table No. 01 Key differences between Cooperative Societies and Producer Companies

Features	Co-operatives Producer Company	Producer companies
Registration	under Co-operative societies Act	Companies act
Membership	Open to any individual or co-operative	Only to producer members and their agencies
Professionals on Board	Not provided	Can be co-opted
Area of operation	Restricted	Throughout India
Relation with other entities	Only transactional based	Can form joint ventures and alliances

Shares	Tradable within membership only	Not tradable Tradable within membership only
Member stakes	No linkage with no. of shares held	Articles of association can provide for linking shares and delivery rights
Voting rights	One person one vote, but RoC and government have veto power	One member one vote
Reserves	Can be created if made profit	Mandatory to create reserves
Profit sharing	Limited dividend on capital	Based on patronage but reserves must and limit on dividend
Role of government	Significant	Minimal
Disclosure and audit requirements	Annual report to regulator	Very strict as per the Companies Act
Administrative control	Excessive	None
Borrowing power	Restricted	Many options
Dispute settlement	Through co-op system	Through arbitration

PMMSY AND FPOs

The Pradhan Mantri Matsya Sampada Yojana (PMMSY) represents a significant investment in the fisheries sector, focusing on the socio-economic development of stakeholders and the establishment of FFPOs to support fishers and fish farmers. By enhancing their

bargaining power and economic empowerment, the scheme aims to bring about positive transformation and sustainable growth in the fisheries sector in India. In addition to providing a platform for accessing technical, financial, and marketing support, FFPOs also promote sustainable fish farming practices. They encourage the adoption of eco-friendly farming practices that reduce the impact of fish farming on the environment. FFPOs also promote the use of high-quality fish feed and the adoption of good aquaculture practices to improve the health and productivity of fish farms.

Current status on FPOs in India:

There are over 33711 FPOs across India with 28.2 lakh stakeholders with over Rs 4000 crore revenue in 2022-23 (Source: - FPO Platform for India, Tata Cornell Institute). Government of India has launched Formation & Promotion of 10,000 FPOs Scheme with a clear strategy and committed resources in order to form and promote 10,000 new FPOs across India. Rs 6866 crore have been allocated for this scheme. (Source: -Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs), Operational guideline)

Fish farmer Produce organisation as envisaged under PMMSY

Fish Farmers Producer Organization (FFPO) is a generic name, which means an association or group of fishers or fish farmers or of fisheries stakeholders, with the primary objective of carrying out sustainable fisheries value chain business by whatever name called, (i) registered under any law for the time being in force; or (ii) promoted under a scheme or programme supported by the Central or State Government

In alignment with the larger mandate of PMMSY, the primary objectives of developing Fish Farmer Producer Organisations have been envisioned to:

- (i) Economically empower the fishers and fish farmers and enhance their bargaining power by achieving economies of scale.
- (ii) Enhance productivity through efficient, cost-effective and sustainable resource use.
- (iii) Realize higher returns for fishers and fish farmers through better liquidity and remunerative market linkages for their produce.
- (iv) Build capacities of fishers and fish farmers to develop entrepreneurial skills for making the FFPOs economically viable and self-sustaining.
- (v) Develop vibrant and sustainable income-oriented fisheries value chains.

Broad Services and Activities to be undertaken by FFPOs

The FFPOs may provide and undertake following major services and activities across the fisheries value chain:

Production and Productivity:

- Supply of quality inputs like seed, fingerlings, brood stock, fish feed, fishing nets and such other inputs for production at reasonable rates.
- Undertake Pond Culture, Pen Culture, Cage culture, RAS, Raceways, Bio-floc etc. related fish culture activities for both inland and marine regions.
- Dissemination of Technology, Quality control and other fisheries related activities and innovations.
- Undertake aggregation of smaller lots of farmer-members produce.

Post-Harvest Management and Infrastructure:

- Make available need-based production and post-production machinery and equipment like storage – Ice flakes, ice boxes, and transportation/logistic support – reefer vans, insulated cargo

and such other machinery and equipment on custom hiring basis for members to reduce the per unit production cost.

- Make available services offering value addition like cleaning, assaying, sorting, grading, packing and also fish farm level processing facilities at user charge basis at a reasonably cheaper rate.
- Undertake high value addition / processing units for better price realization and exports.
- Traceability related interventions can also be proposed by FFPOs.
- Undertake higher income generating activities like cold chain development, seed/brood stock production, ornamental fisheries, seaweed cultivation, cold water fisheries, fish kiosks, aquarium manufacturing etc.
- Undertake any activity (including but not limited to microfinance, e-market, technical support, repairs and maintenance services for boats, motors, cold chain, reefer transport etc.) associated with fisheries supply chain as door-step support

Marketing and Branding:

- Branding, packaging, labelling, standardization of products.
- Market the aggregated produce with better negotiation strength in marketing channels offering better and remunerative prices.
- Facilitate market information about the produce for educated decision-making in production and marketing.
- FFPOs may also undertake operation of fish vending kiosks at various urban centers. Development of fish and fisheries related products / by-products and tie ups for domestic and export sales

Composition of FFPO: The FFPOs may comprise of

- Fishers
- Fish Farmers
- Fish Workers and Fish Vendors
- Fisheries entrepreneurs

Or any other person(s) associated with fisheries sector as decided by Dept of Fisheries, Government of India.

Conclusion

FPOs have emerged as crucial mechanisms to address the challenges faced by the agriculture sector in India, such as fragmented land holdings, limited access to markets, and inadequate infrastructure. FPOs increase the income for the producers through an organization of their own since a small farmer does not have the volume to take advantage of economies of scale. The non-transparent workings of a chain of mediators and intermediaries in agricultural marketing usually lead to a situation where the farmer receives only a tiny & unfair part of the value. FPOs help in eliminating the chain of intermediaries in agricultural marketing to provide producers their fair share. Overall, FPOs have emerged as key drivers of rural development and the growth of agribusiness in India, contributing to the welfare of farmers and the sustainable development of the agricultural and fishing sectors.

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