



Farmer Producer Organizations (FPOs) in Chhattisgarh: Study of Present Status, Challenges and Opportunities (Strategic Interventions for Strengthening of FPOs)



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EXECUTIVE SUMMARY

The role of farmers' producer organizations (FPOs) has become very important in the context of addressing the multiple challenges being faced by the small and marginal farmers who constitute the major portion of farming communities in India. A renewed focus has been given for promotion of FPOs especially Farmer Producer Companies (FPCs) across sectors in last decade with addition of about Producer Company in Companies Act. FPC is called new generation FPO which contains key characteristics of a cooperative and a company so as to make them more relevant in the era of globalization of local economies and also keeping the centrality of primary producer's interest. FPCs are playing a greater role in the Agri business and are working like any other private company while maintaining the centrality of farmer's interests. The Government of India, looking at the benefits of FPOs to the member farmers, has set a target to promote 10,000 more FPOs in next five years across sectors. Government of India designated Small Farmers' Agribusiness Consortium (SFAC), National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC) major agencies for promotion of FPOs in association with other government and non-government agencies. Agriculture and other Government Departments and other private agencies including Corporate Social Responsibility (CSR) are playing a vital role in promoting FPOs in the country. The state of Chhattisgarh is not indifferent regarding the promotion of FPOs. Various agencies are promoting FPOs especially FPCs across the state.

In this study, 10 FPCs were chosen from the entire state based on the representation of geography, business activity, promoting organization, outreach and level of operations. The various stakeholders of the FPC such as Board of Directors (BoDs), CEO and other staff members, member farmers, and other value chain players of the business activities of FPC were selected as a key informant under this study.

The relation between the BoDs and the CEO was found to be very crucial in the performance of FPC. At few FPCs, the BoDs were active and thus were playing key role in management, monitoring and guiding the CEO and staff in undertaking agri-business, however the same was not found in many of the FPCs. The BoDs were found unaware of the key developments in their respective FPC. Lack of role clarity and capabilities were the major factors hindering active contribution of BoDs in FPC functioning. The BoDs pointed out that they need training related to governance, business planning, market, and marketing strategy for agri-produce.

It was also found that the FPCs promoted by the Horticulture Department, Veterinary Department and others could not receive any kind of initial grant and credit guarantee supports as have been extended to the FPCs promoted with the support of NABARD and SFAC. Some of the farmer's producer companies initially promoted by the horticulture department and veterinary department too approached NABARD to provide a matching grant and another credit linkage program.

The sustainability of majority of FPCs was a big challenge. In the absence of adequate capacity building of BoDs and CEOs and also handholding support in credit linkage, business development and creating the marketing strategy for these FPCs have led to dismal performance of majority of FPCs. Thus, many of such FPCs struggled for establishing their agri-business and also became defunct.

There is a need to provide training cum hand-holding support to the FPCs by an expert agency to build the capacity of the BoDs, CEOs and other staffs in helping them to develop Governance plans, Business plans and Marketing plans for their FPC business. The complex MCA rules and regulations should be made available as the summary in Hindi for easy understanding of the BoDs. This would ease the communication gap they are feeling in understanding the business.

There is a need for capacity building of BoDs of FPCs. Planned efforts should be made to reorient the BODs on the concept of FPC and their role in managing the FPC. The work/role division within the boards should be there so that more members can get the responsibility and opportunity to learn. The BoD rotation was not observed in FPCs and therefore, there remains a lack of ownership from other shareholders. The second line of leadership should be nurtured in the FPCs. The complex MCA rules and regulations should be made available as a summary in Hindi for easy understanding of the Board of Directors.

The role of promoting institutions at the ground was found less satisfactory. It should be ensured that each FPC gets the support of the agency (particularly in governance and business) for initial 2-3 years. The role and output of the support should be pre-decided on case to cases basis. The stakeholder (FPCs, agencies) should understand that there is some basic difference in the modalities and agenda of the FPC in comparison to federation and cooperatives. Therefore, the uniqueness of the FPCs concept should be taken into consideration while making any intervention/ plan.

The members of FPCs are engaged in multiple activities. FPCs need to increase their outreach among the member farmers to procure commodities/ offer services. Most of the members in the FPCs are not doing business with their FPCs. Special drive by the FPCs should be taken up to motivate the members to undertake agri-business through FPC and the management of FPC also needs to understand the needs of farmers and thereby build farmer centric business.

The FPCs should ensure that its members get additional benefits through its services/products (other than the dividend) in comparison to the non-members. The FPCs should also take up some peripheral activities such as agriculture technical advisory services etc., for its members.

The relationship between the three – Members/Shareholders (Governance), Promoting Institution (Promoter) and CEO-Staff (Execution) is crucial in FPC development. ILRT has developed a tool named “ASCENT” for self-assessment (based on scoring) for FPC. Such tools can be useful is self-evaluation and guidance for the FPCs to plan and improve.