

## Way to Double Farmers Income through FPO

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### ABSTRACT

Agriculture is an important sector for Indian economy where around 70 per cent of rural population depends on farming and allied activities for the livelihood and majority (86%) are small and marginal. Though these farmers produce food of sufficient amount, the output receive isn't worth satisfying due to various factors like lack of facilities-transportation, storage, processing. To empower the farming community and making them more stable and improving their conditions to make the agriculture self-sufficient, the concept of doubling the farmers income by 2022 was introduced. Farmer Producer Organizations (FPOs) is one of the strategies through which aim of doubling farmers income by 2022 is to achieve. 15-20 farmers interest groups (FIGs) at village level collectively form an organization which not only focus on developing socio-economic status of their farmers but also providing better market linkages and developing entrepreneurial skill and business plans of the farmers through strategic planning.

### HIGHLIGHTS

- Doubling farmers income by 2022 concept is one which focuses on improving the empowering the farming community by improving the conditions to make the agriculture self-sufficient.
- FPO is one such strategy through which the aim of doubling farmers income by 2022 is to be achieved.
- FPO improves the socio economic status of the farmers, provides better market risk and develops entrepreneurial skill and business planning of the farmers.

**Keywords:** Doubling farmer's income, farmer producer organizations, farmer interest groups, market linkages, entrepreneurial skill

Agriculture has been an important sector for Indian economy around 70 per cent of rural population depends on farming and allied activities for the livelihood. Agriculture sector is one of the significant contributors to the nation gross domestic product. Majority (86.00) of farmers had small and marginal land holding. The area cultivated by small and marginal farmers has increased from 19 per cent to 44 per cent in 2010-11 (Ajmal and Mathur, 2018). Problems faced by marginal and small farmers are numerous which cannot be settled to two or three. Though they produce

food of sufficient amount, the output which they get of the input isn't worth satisfying mainly due to lack of facilities like market facilities *i.e.*, transportation, storage, processing etc. value chain addition, credit facilities, input supplies, proper support of technical staff, information dissemination. One of the major initiatives of the National Democratic Alliance (NDA)

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government in the agriculture sector is that to double farmers' incomes by 2022. This is a admirable objective and, therefore, has created more academic and popular interest. The need to focus on farmers' income rather on production or the growth rate in agriculture stems from the point of fact that there has been agricultural distress for the past twenty years (Singh, 2018).

The Prime Minister of India, Narendra Modi under NITI Aayog emphasizes doubling the farmer's income by 2022. The NITI Aayog has stated in its paper published in the year 2015 that 5 issues need to be addressed to enhance the livelihoods of farmers. Those are, increasing the productivity, remunerative prices for farm produces, focus on agricultural land leasing and land titles, risk adaptation and mitigation, and a terrestrial focus on the eastern region (Chandrasekhar S., Mehrotra N., 2016).

### Why doubling income

In order to have sustainable livelihood safety and to enhance the standard of living, the farming communities need to generate added income and employment in a sustainable means from the available agriculture resources. Diversification of farming is promoted as one of the important approaches to stabilize and enhance farmers income, upsurge employment opportunities and conserve natural farm resources. The previous strategy for development of farming sector in India has mainly focused on raising farm output and enhancing food security by increasing productivity through advanced technology and varieties, more use of quality seed, fertilizer, irrigation and agro-chemicals,

incentives in the form of remunerative prices for some crops, subsidies on farm inputs, public investments in and for farming and facilitating institutions. One of the drawbacks of the past strategy is that it did not openly recognize the essentiality to raise farmers' income and did not refer any direct measure to promote farmers' welfare. The net result has been that farmers' income remained less, which is evident from the occurrence of poverty among farm households.

### Trends and dynamics of farmers income

The annual household income grew at 3.7% per annum, from INR 53,330 to INR 77,283, from 2002–03 to 2012–13 (at 2012–13 prices). The growth was not uniform, however; the income from animal husbandry increased at 13.2% per annum, followed by agricultural wages (6.4%) and crop husbandry (4.3%). Non-farm wages declined by 2.9% a year, while non-farm business income remained almost stagnant. The income of marginal farm households increased by 2.9% per annum, compared to 6–7% for medium and large farm households. The slow growth in incomes of farmers during this period was co-occur with the increase in inequality. The annual increase in income from crops and animals, and also wages and salaries, was more for large households and the lowest for marginal household. Farmers income remained low in relation to income of those working in non farm sector. Double farmers income by 2022-23 is to promote the farmers welfares, reduce the agrarian distress and disparity between income of farmers and those working in non agricultural professions.

Table 1

Income source	2002-03	2012-2013	Compound annual growth
Crop husbandry	24,135(45.3)	37,017(47.9)	4.3
Animal husbandry	2,493(4.7)	9300(12.00)	13.2
Agriculture wages	12,735(23.9)	9489(12.3)	6.4
Non agriculture wages	8022(15.0)	15269(19.8)	-2.9
Total wages (agri and non agri combined)	20757(38.9)	24758(32.0)	1.8
Non farm business activities	5,944(11.1)	6206(8.0)	0.4
<b>Total income</b>	<b>53329(100.0)</b>	<b>77,283(100.0)</b>	<b>3.7</b>

Source: Vatta and Budhiraja, 2020.

### Strategies to enhance income through Farmer Produce Organizations (FPOs)

Produce organization (POs) forms the interface between farming communities and their economic, social and institutional environments. A producer organization (PO) is defined as formal or informal institution for collective action in which most of its members are the one whose main source of income and livelihood is agriculture and allied activities. FPO provide services which are the main source to enhance the livelihood, access to market information, inputs and advocacy FPO helps in improving socio economic condition of farmers, enhancing the capacity of farmers through better market access and improving the orientation of farmers towards entrepreneurial activities. Such organizations have shown significant benefits in tribal farmers, small farmers, women, even in far and disadvantaged areas.

SFAC has promoted 2,700 FPOs with membership of more than 5. 71 lakh farmers in 28 states of India. NABARD and some state governments are also promoting FPOs. Though, the number is less and need to expanded to enabled farmers to reduce the transaction costs, access technology, raise bargaining power and interact with value chains (chand,2017).during 2020-21,a total of 2200 FPOs produce clusters have been allocated for formation of FPOs, which include specialized FPOs produce clusters such as 100 FPOs for organic, 100 FPOs for oilseeds etc.

### What is producer company

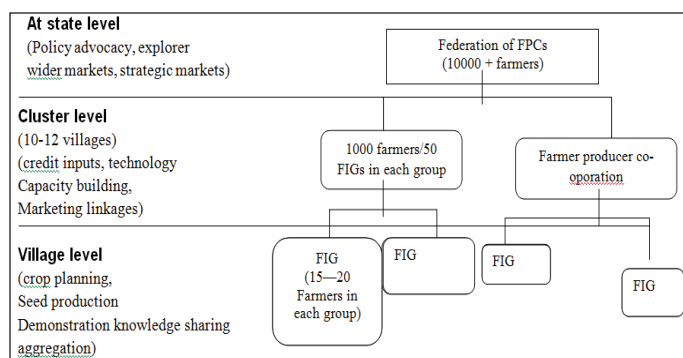
Farmer Producer Company is assumed to be a tool that can organize and formalize the Indian farmers. In this, farmers start a company and pool their resources to work in cooperation with other co-farmers. The farmers are the shareholders of the company. The company will run by the farmers with sufficient and appropriate management skills or they hire management professionals to help them with their produce. Indian government has declared 2014 as the 'Year of Farmer Producer Organization' and these were introduced by support of ministry of agriculture and farmer welfare and research and is keen on doubling the income by 2022 through covering 10,000 FPOs and providing better life for those engaged in farming. Farmer producer organization is

informal group of 15 to 20 farmer formed into group through a common goal and outcome. FPOS Are to be developed in produce clusters, herein agricultural and allied activities are grown or cultivated for leveraging economies of scale and enhancing the market access for farmers. Agriculture value chain organizations forming FPOs and facilitating 60% of market linkages for members produce.

### Institutions involved in promotion of FPOs

The Government of India according to year 2018 reported that NABARD has recognized relatively more number of promoting agencies i.e., 818. While, SFAC has recognized 127 promoting agencies making 86.5% and 13.43% of the total, respectively. Highest number of promoting institutions have found in the state of Karnataka (85) constituting about 8.9 % of the total promoting institutions functioning in the country. Karnataka state also has the highest number of FPOs registered under state. SFAC reported that the state wise progress of farmers mobilization under FPO promotion was found out that Madhya Pradesh ranks highest in farmers mobilization upto149000 farmers followed by Karnataka state (127500 farmers). The state (agriculture and food: e-magazine, 2019).

### Structure organization of FPO



Source: sfac.in

### By Providing Services

FPO provides various services to their farmers from enhancing the capacity by providing capacity building services, improving market access by providing better market linkages and increasing production per crop

by providing better quality seeds, fertilizers, and their development through increasing linkages with better institutions.

### Various services offered by FPOs

Table 2

Sl. No.	Categories	Functions/services
1	Input services	FPO entails to offer better quality products to its farmers like seeds, fertilizers, pesticides, sprayers which help in producing better quality of products
2	Financial services	Provides loans for crop, purchase of tractor, pumpset
3	Procurement services	After procurement of produce, the products will have storage facilities, value addition, processing.
4	Marketing services	Products are straight away marketed and dependency on middleman has reduced which helps farmer to get best price for their produce
5	Technical services	FPO will promote better practices of farming, maintaining market information system, diversifying and improving the levels of knowledge and skills in agricultural production and post-harvest processing methods that adds value to farm products.

### Providing better income to farmers

Better services provided by FPO helps in strengthening the socio economic condition of farmers by making Net increase in output and improving production of the farmers produce by providing better quality produce. Procurement of input in bulk at lesser cost and selling them in a market at bulk would help the farmers in getting better prices for the produce and thus help in enhancing the income of the farmers.

### Linking farmers to market

Linking farmers to markets (LFM) is critical for improved livelihood of smallholder farmers and beneficial for the consumers. Smallholders are more efficient in production, yet they face serious disadvantage mainly

on account of marketing their produce (Paroda, 2017). Market intelligence is important for making commercial decisions as FPO, as well as to transfer market signals to the members to influence their decisions on production and to define the conditions of supplying to the FPOs. (Anees Ajmal and Mathur, 2018). Linking farmers with global and national markets through food retail chains is seen as one of the evolving agricultural marketing practices in India to improve small producers' livelihood (Singlaa *et al.* 2011). It has been emphasized that efforts to reinforce the Indian agriculture necessarily address not only production aspect but also processing, marketing, trade, and distribution and moreover linking farmers to markets was essential. Developing backward and forward linkages right from sowing to post harvesting helps farmers gaining better income for the produce. Linkages with the institutions help in gaining more market information and intelligence's. FPOs is ensured with appropriate processing & assured marketing linkages on sustainable basis for remunerative prices for improving the income of the members as well as to developing processing and value addition within the country. Farmer producer organizations provide small farmers to participate in the marketing collectively and more effectively, they are in a better situation to lessen the transaction costs of accessing inputs and outputs, obtaining the essential market information, securing access to new technologies, and to enter into the high value markets, allowing them to participate with larger farmers and agribusinesses (Stockbridge *et al.* 2003).

### Through Entrepreneurial activities

FPOs have a different agro processing units which helps the farmer in sharpen the entrepreneurial skills among the farmers. Agro processing units includes the facilities required for processing, storage, drying, ginning, and milling of cereals, pulses, oilseeds, spices, fruits and vegetables. The entrepreneurship of Agriculture processing centres (APC) may be of an individual, community, cooperative or voluntary organization. The APC creates additional value to a product so as to increase marketability of surplus produce available in the village, cluster of villages or surrounding locality (Singh *et al.* 2007).

## Value chain addition

FPO has better value chain addition processing unit. Value addition of produce at farmers level would help the farmers in doing business ease and retaining better income through performing beyond the farm level. Value addition through branding, sorting and processing enhances skills and knowledge and helps in procurement of produce and provides reasonable prices for the farmers facilitating marketing options, reducing post harvest loss and tremendous employment generation potential for rural poor in general and for women in particular.

## CONCLUSION

FPO is a boom for those economically weaker farmers, who even though produce sufficient amount of produce still couldn't meet their day to day life requirement. FPO focuses on enhancing the income and social conditions of farming community by providing better services, linkages with the market institution and improving focus from the farm to non-farm level and these significant factors help India in achieving the target of doubling farmers income by 2022.

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