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Exploring Challenges Faced by Farmers in Participating in Farmer's Producer Organizations: Understanding the Key Issues Impacting FPO Success: A Review

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ABSTRACT

The modernization of agricultural systems is crucial for the development of 'Viksit Bharat.' Farmer-producer organizations (FPOs) help to unite small, marginaland landless farmers, giving them the collective strength to address various issues and improve their living standards and profitability. However, to ensure the sustainability of the FPOs, it is essential to build the right technical skill sets and business acumen within the FPOs. The study's main objectives are to discover why farmers are not participating in FPO activities and to study FPOs to learn about their challenges. The present study is exploratory. A standard instrument, a questionnaire, was used to collect primary data. The researcher interviewed 1155 farmers and surveyed representatives of 25 farmer-producer companies to get an overview. The best method of marketing agricultural produce is forming a farmer-producer company and marketing through it. The study revealed that most farmers are not members of the Farmers Producer Company. Through this study, the researcher learned that "The lack of penetration of the FPO concept among farmers" is the main reason. Most of the FPOs are facing various challenges. The main challenge is the lack of financial support to run FPO successfully. Lack of capacity building and inadequate infrastructure facilities represent significant challenges for farmer-producer organizations. The government must address the challenges faced by farmers and FPO to assist farmers in obtaining favorable returns from their agricultural produce.

Key words: Awareness, Challenges, Farmer, FPO, Member.

The Indian agricultural sector, a lifeline for most of the population, faces significant challenges requiring innovative solutions. The sector contributes roughly 14% of the country's GDP and desperately needs strategies to thrive. Farmers, the backbone of this sector and crucial to the nation's economy, should receive reasonable prices for their farm produce. They are dissatisfied with the prices realized by selling to different agencies and must know the prices in other markets. Therefore, they eagerly anticipate introducing new technologies for farming, extension, processingand marketing agricultural produce.

The essential components for developing agriculture towards Viksit Bharat@2047, a vision for a developed India by 2047, include diversification from crops towards high-value commodities and improved market access through Farmers' Producers Organizations (FPOs). Modernizing agricultural systems is crucial for the development of 'Viksit Bharat.' Access to modern technologies and profitable markets will help farmers receive fair prices and higher profits, reducing their exploitation by intermediaries and commission agents and ultimately leading to a more prosperous and sustainable agricultural sector.

Promoting alternative marketing systems like Farmer Producers Organizations (FPOs) is crucial to modernizing agricultural marketing and supporting small farmers. Producer Companies are legal entities established to enhance farmers' living standards, status, income and profitability (Vahoniya *et al*., 2022). FPOs help small farmers by providing services covering farm cultivation, inputs, technical services for processingand marketing. They empower farmers to address various issues, improve living standardsand increase profitability. The government recognizes the potential of FPOs and affirms that they are the most appropriate institutional form for farmers to mobilize and build their capacity to leverage their production and marketing strength. Farmers' Producer Organizations (FPOs) are crucial for mobilizing individual farmers, improving market accessand reducing inefficiencies in agriculture supply chains. To ensure their sustainability, it is essential to build the right technical skillsets and business acumen within FPOs (Fig 1; Table 1).

Due to inadequate infrastructure in the study area, most farmers prefer local rural markets instead of traveling to specialized markets or nearby towns (Khan and khan, 2012). Improvement in the farmer's status is possible only

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through the diversification of crops from low value to high value and the commercialization of all agricultural activities in the district. This can be done through the adaptation of sustainable farming practices, institutional changesand implementation reforms in state agrarian policy, the effective use of inputs, training for farmersand the participation of NGOs in agriculture. Instead of abandoning farming, we propose that farmers in India could effectively adopt low-input farming techniques and direct marketing strategies, such as farmers' markets and community-supported agriculture, similar to those used in the US (Kumar *et al*., 2011).

A researcher has collected secondary data to obtain information about FPOs operating in the region and the challenges faced by farmers while using the FPO model. The researcher has found that no one has studied farmers' challenges while using the FPO model to market their farm produce. Hence, the researcher has attempted to examine farmers' various challenges when using these FPO models to market their farm produce.

Farmer Producer Organizations (FPOs) effectively link small farmers to the external world, providing benefits like

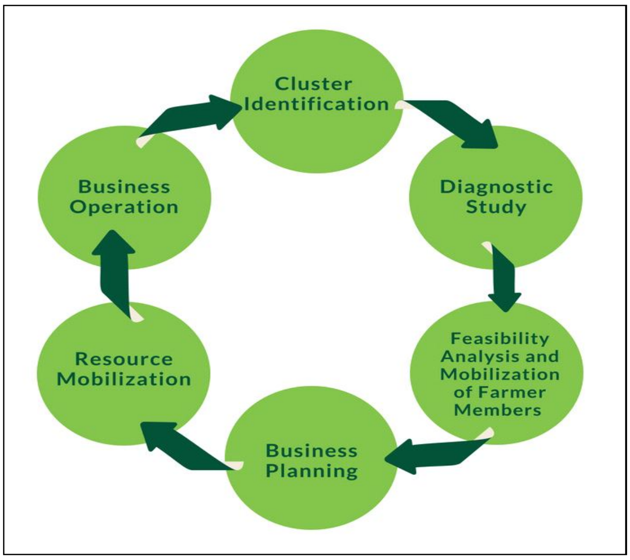

Fig 1: FPO development approach.

improved market access. Farmer Producer Organizations (FPOs) effectively link small farmers to the external world, providing benefits like improved market access, reduced transaction costs, economies of scale, better quality and price realization for the produce (Nikam *et al*., 2019). Small and marginal farmers join FPOs to enhance their access to credit, storage, output and input markets and their bargaining power. Households associated with FPOs have higher incomes, consumption and investment levels and a lower incidence of indebtedness (Singh and Vatta, 2019). The findings of Gurung *et al*., 2023 confirmed that FPO membership positively and significantly impacts net returns, return on investment and profit margin.

Nithya and Vaishnovi (2022) and Jayashree *et al*. (2023) identified various constraints facing Farmer Producer Organizations (FPOs), including lack of finance, government price policy, awareness of credit facilities, connection with financial organizations, market information, lack of initiatives among FPO members, processing facilities, infrastructural constraintsand crop insurance facilities. Maharashtra is a leading state organizing small and marginal farmers through farmer-producer companies. However, it has been observed that farmers are still getting low prices for good quality farm produce. In contrast, the intermediaries take a significant share of the money paid by the consumer.

Navaneetham *et al*. (2017) focused on the credit support needed by Farmers' Producer Organizations (FPOs) and the importance of teaching farmers management practices and marketing skills. Venkatkumar R. *et al*. (2017) highlighted the need for producer companies to focus on performance indicators, financial management and mobilizing members for sustainable growth. Sawairam, P. (2015) emphasized the role of farmers' producer organizations and producers' companies in helping small and marginal farmers participate in emerging agricultural markets. The government should promote the FPOs as a policy intervention to sustain their members (Ameer *et al*., 2021).

The formation of FPOs is expected to address the many challenges individual small and marginal farmers face, especially in marketing the produce. There has been a variety of research on challenges faced by FPOs in India.

Table 1: FPO scenario in Maharashtra.

Key agency promoting FPOs	Total FPOs
Maharashtra Agricultural Competitiveness Project (MACP)	(406).
NABARD	103
ADB – JFPR Project	18
SFAC	91
CLAIM	21
Others (Self-promoted, etc.)	1,057
Total	1,696

Source: Farmer Producer Organizations: Experience in Maharashtra, Anoop Kumar, IAS Principal Secretary (Agricultural Marketing) Government of Maharashtra, Mumbai', 2019.

However, the literature review shows that no study in India has focused on the challenges faced by farmers participating in farmer's producer organizations.

Objectives of the study

1. To study FPO as a non-conventional model of agricultural marketing.
2. To find out why farmers are not participating in FPO activities.
3. To find out the expectations of farmers and FPO from the Government for marketing agricultural commodities.

Research design

The present study is exploratory. Exploratory research involves talking with others who may have more information about what you would like to learn. It helps to gain a better understanding of an issue. The researcher has used a combination of primary and secondary research. Primary research involves collecting data through interviews, surveys and feedback. Work was carried out at the MIMA Institute of Management, Pune, in 2024.

The researcher utilized both primary and secondary sources to gather information.

Primary source of data

Primary data is first-hand data collected freshly by the researcher using a questionnaire to collect information from respondents. It is often used to gather data about variables like awareness, perception, expectations, preferences, effectiveness and behavior from a large population.

Population

The research study focuses on existing agricultural marketing channels in the Pune district, involving all male and female farmers from various socio-economic backgrounds. The researcher used a multi-stage sampling technique to select samples and personally visited villages in the Pune district to interview farmers.

Selection of sample

The study covered eleven talukas in the Pune district. Seven villages from each taluka were randomly selectedand 15 farmers were interviewed using the snowball technique. One thousand one hundred fifty-five farmers were interviewedand 1034 appropriate responses were received. Twenty-five Farmer-Producer Companies were randomly selected from the Pune district.

Sample size

The formula for calculating sample size by proportion ($n=z^2*p*q/e^2$) can be used when the population is infinite with a 95% confidence level and 50% precision, resulting in a sample size 385. Additionally, 1155 farmers were interviewed for qualitative resultsand representatives of 25 farmer-producer companies were surveyed for an overview of their present status and the challenges they face. The reliability of the questionnaire for farmers was tested using Cronbach's Alpha.

Statistical tools used

Descriptive statistics used in this study included frequencies, percentagesand ranking. Tools were selected based on the research work's objectives and the respondents' nature. Statistical analysis was conducted using the "Statistical Package for the Social Sciences (SPSS)" version 17.0. The Z-score test was utilized to test the study's hypothesis. The data analysis and interpretation process thoroughly used appropriate statistical techniques and the researcher determined significant results.

Utility of the study

The Farmer Producer Company is nascentand the future of Indian agriculture depends on strengthening these as the best alternative for providing end-to-end services to the farming community, emphasizing small and marginal farmers. The study has revealed various areas for improvement of Farmer Producer Organizations, which will help policymakers take appropriate steps.

Farmers study

Farmers selected as a sample for opinion on various marketing models are young adults with an average age of 42 years. Their education is at the secondary school level to graduation (49%) and illiterate is only 15%. On average, he owns a land of 5.2 acres.

Table 2 shows that the farmers are unsatisfied with the price realized by selling to different agencies. Five hundred twenty-six farmers said they were unsatisfied with the price.

Table 3 shows that the farmers face the problem of 'Necessary Market Information' mostly (79.7%); followed by problems of 'Existence of Middle-men' (73%); 'Access to New Technology' (62.9%); 'Lack of Storage Facility' (61.2 %); 'Competition' (58%); 'Transportation' (56.7%); 'Lack of Grading' (53.5%); 'Lack of Institutional Finance' (44.2%);

Table 2: Farmers' satisfaction with the price is realized by selling to different agencies.

Satisfaction with the price realized by selling to different agencies	Frequency	Per cent
Yes	262	25.3
No	526	50.9
Cannot Say	246	23.8
Total	1034	100.0

'Problems of Produce Collection' (27.5%); 'Distress Sale' (21.3%) and lastly 'Weight and Measures' (19.2%).

Table 4 illustrates that the highest percentage of...respondents answered 'No'; 91.2% of farmers are unaware of Farmers Producer Company, while only 8.8 % are aware of F.P.C.

Table 5 shows that the main reason farmers are not members of Farmer Producer Company is the 'Lack of penetration of the FPO concept among farmers'; another important reason is the 'Lack of working capital support.'

Table 6 shows that very few responses to this question were used to decide the response rank. 6.8 % of farmers said facilitating (collective) production activities is the main benefit.

Study of FPO (25 FPO)

Table 7 shows that only 8% of the respondents reported running FPO successfully, while 92% faced different challenges.

Table 8 shows that all FPOs (100 %) face the challenge of lack of financial support for running FPOs successfully; they are facing the main challenge of obtaining financial support. According to them, handholding support is essential for at least five years to develop FPO, but it is only given for three years (96%). More is needed. Another critical challenge followed by a lack of market information (92%), lack of strengthening, capacity building of farmer producer organization (88%) and lack of suitable infrastructure facilities for scientific storage of commodities (84%).

Table 9 shows that farmers expect the Government to help them by 'Ensuring that farmers receive marketing information promptly (89.2% farmers), Followed by 'Formulating suitable agricultural price policy' (65.6 % farmers); 'Provision for standardization and grading of the produce' (63.4% farmers); 'Provision for extending the adequate amount of Credit facilities' (50.3% farmers); 'Early procurement by Govt. before growers are compelled

Table 3: Ranking of the problems faced by farmers while marketing agricultural commodities.

The problems faced while marketing the produce	Frequency	Per cent	Rank
Competition	600	58.0	5
Transportation	586	56.7	6
Existence of middle-men	755	73.0	2
Necessary market information	824	79.7	1
Access to new technology	650	62.9	3
Lack of storage facility	633	61.2	4
Lack of grading	553	53.5	7
Lack of institutional finance	457	44.2	8
Problems of produce collection	284	27.5	9
Weight and measures	199	19.2	11
Distress sale	220	21.3	10

Table 4: Knowledge of farmers producer company.

Knowledge about Farmer Producer Company	Frequency	Per cent
Yes	91	8.8
No	943	91.2
Total	1034	100.0

Table 5: Why are farmers not a member of the Farmers Producer Company?

The reasons for not being the member of farmer producer company	Frequency	Per cent	Rank
Lack of penetration of the FPO concept among farmers	882	85.3	1
Lack of working capital support	205	19.8	2
Governance and management capabilities	64	6.2	Ignored since
Ownership issues	22	2.1	deficient
It is more suitable for small and marginal farmers.	42	4.1	per cent
Lack of commitment by member farmers	72	7.0	
The integrity and quality of the leadership	24	2.3	
Lack of vision and direction from the Board of Directors	26	2.5	

to sell to traders' (42.9% farmers); 'Improvement and extension of road and transportation facilities' (40% farmers); 'Extension and construction of additional storage and warehousing facilities.(37.9%farmers); 'Establishment of regulated markets' (29.5%); then 'Improvement in condition of mandis' (29.4% farmers).

Findings and suggestions

Knowledge of farmers producer company, benefits and challenges farmers face

The study revealed that farmers will benefit from non-conventional marketing methods. The best method of

Table 6: Benefits obtained as a member of Farmer Producer Company.

The benefits obtained as a member of farmer producer company	Frequency	Percent	Rank
Low cost and quality inputs.	13	1.3	Ignored
Facilitation of (collective) production activities.	70	6.8	since
Loans for crop cultivation.	8	0.8	deficient
Loans for construction of wells and laying of pipelines.	15	1.5	percent
Collective and direct marketing	24	2.3	
Help with storage, value additionand packaging.	13	1.3	
We are getting market information.	17	1.6	
Insurance.	3	0.3	

Table 7: Running FPO successfully without any challenges.

Running FPO Successfully without any challenges	Frequency	Percent
Yes	2	8
No	23	92
Total	25	100.0

Table 8: Challenges faced by Farmers Producer Company.

Challenges	Frequency	%	Rank
The optimum size of members of FPO should be 1500 farmers, but getting this number is difficult	15	60	9
Handholding support is essential for developing FPO for at least five years, but it only lasts three years.	24	96	2
Lack of strengthening and capacity building of farmer producer organization.	22	88	4
Lack of financial support for running FPO successfully. FPOs often need help in obtaining financial support	25	100	1
Lack of good infrastructure facilities for scientific storage of commodities.	21	84	5
Members of FPO are not actively working because of a lack of short-term benefits.	18	72	7
FPOs are having administration issues, mainly a lack of active leadership	12	48	11
Difficulty in paying tax under the Companies Act. FPOs have to pay taxes, which are the same as corporate taxes.	20	80	6
Lack of market information.	23	92	3
Lack of technical guidance to FPO.	17	68	8
There is no provision for crop and weather-based insurance	10	40	12
Not encouraged as agencies for procurement operations under the Minimum Support Price (MSP) by the government and FCI	13	52	10

Table 9: Farmers' expectations from the Government and other organizations for marketing high-value agricultural commodities.

Overall to Market the Agro-Produce,the Expectations from Government	Frequency	Percent	Rank
Formulating suitable agricultural price policy.	678	65.6	2
Early procurement by the government is necessary before growers are compelled to sell to traders.	444	42.9	5
Establishment of regulated markets.	305	29.5	8
Extension and construction of additional storage and warehousing facilities.	392	37.9	7
Provision for extending the adequate number of credit facilities.	520	50.3	4
Ensuring that farmers receive marketing information promptly.	922	89.2	1
Improvement and expansion of road and transportation infrastructure.	414	40.0	6
Provision for standardization and grading of the produce.	656	63.4	3
Establishment of cooperative marketing societies.	271	26.2	10
Improvement in condition of mandis.	304	29.4	9

marketing agricultural produce is forming a farmer-producer company and marketing through it. This method's main benefits are the facilitation of collective production activities and collective and direct marketing. Become a member of the Farmer Producer Company to get market information.

Farmer Producer Company is a means to bring together small and marginal farmers to build their business enterprise, which professionals will manage. FPO can help farmers produce various agricultural products and market crops. Farmer Producer Company (FPO) can help farmers successfully deal with multiple challenges that small producers face today. Initially, FPOs were organized under the co-operative structure. Initially, they were supported by the Government, but government support has declined over the yearsand new producer companies have started with regulatory frameworks similar to those of companies. However, the study revealed that most farmers need to be made aware of the benefits of the Farmers Producer Company. Only a few know about itand they are members of the FPO.

The study revealed that most farmers are not members of the Farmers Producer Company. The researcher was interested in knowing the reason for this and through this study, the researcher came to understand that the lack of penetration of the FPO concept among farmers is the main reason for this. Farmers are unaware of FPO, how to form itand how to run it successfully; another important reason is the lack of working capital support. They need governance and management capabilitiesand there needs to be more commitment from member farmers.

Challenges faced by farmer producer organizations

The researcher was interested in knowing about Farmer Producer Companies registered in the Pune district. The researcher interviewed office bearers of 25 FPOs in the Pune district to determine whether they are running FPOs successfully or facing any challenges. It has been revealed from the study that only 2 FPOs said that they were running it successfully without any obstacles. Most of the FPOs are facing various challenges. The main challenge is to have more financial support to run an FPO successfully. FPOs face the main challenge of obtaining financial support from banks and other financial institutions. According to them, handholding support is essential for at least five years to develop FPO, but it is given for three years, which needs improvement. Lack of strength and capacity building of farmer-producer organizations is also an essential challenge, followed by a lack of suitable infrastructure facilities for the scientific storage of commodities.

The Farmers Producer Company also expressed a direct link with the industrial houses so that farmers could directly sell farm produce to various companies at pre-agreed prices. NABARD, ATMAand the Director of agriculture should try to develop linkages with FPO and industry so that farmers can directly sell their farm produce.

CONCLUSION

The study uncovered several challenges farmers face in marketing their farm produce through the non-conventional marketing model of the Farmers Producer Organization (FPO). The FPO concept is not widely utilized among farmers primarily because they need more awareness about FPOs, how to establish themand how to manage them effectively. In addition, the need for working capital support, governance and management capabilitiesand commitment from member farmers also hinder the successful operation of FPOs. Most FPOs encounter challenges, primarily needing more financial support for their successful operation. FPOs struggle to secure financial support from banks and other financial institutionsand they believe that continuous support over at least five years is crucial for FPO development. Furthermore, the lack of capacity building and inadequate infrastructure facilities for properly storing commodities represent significant challenges for farmer-producer organizations. The government must address these challenges to assist farmers in obtaining favorable returns from their agricultural produce.

Conflict of interest

I declare that there is no conflict of interest regarding the publication of this paper. The author also declares that the information is accurate and complete to the best of my knowledge and belief and that I will notify the editor if any changes occur.

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