

UNSHACKLING FARMER PRODUCER ORGANISATIONS FROM THE COVID – 19 LOCKDOWN



If empowered, Farmer Producer Organisations (FPOs) can address market disruptions in the wake of pandemics like COVID-19. In this blog, Dr Vinayak Nikam and Dr Rajiv Kale examine the roles played by different FPOs in dealing with the challenges.

CONTEXT

The COVID-19 crisis in India has left unharvested farm produce to rot in farmers' fields, collapsed supply chains and disturbed the transport network. In times of lockdown, farmers are finding it difficult to sell farm produce sans buyers, while urban consumers are either facing scarcity or are forced to pay a high rate for farm goods. Governments are looking towards Farmers Producer Organisations (FPOs) to be a link between producers and consumers by aggregating the produce of member farmers, collectively transporting them for sale in urban establishments. While many FPOs have come forward to operate during the COVID-19 crisis by procuring and marketing farmers' produce, and giving farmers the much needed income in this hour, their operations are not without struggles. Labour and input shortages, infrastructure bottlenecks and sometimes uncooperative local administrations prevent them from carrying out activities for the benefit of farmers and consumers. These constraints forced some of the FPOs to stop their supply chain operations.



Kendraimata FPO stall outside a residential apartment in Pune

Farmer Producer Organisations (FPOs) in India

In India, [NABARD \(2015\)](#) defined Farmer Producer Organizations as one type of producer organization (the legal entity formed by primary producers viz. farmers, fishermen, weavers etc.) where the members are farmers. In India, FPOs can be registered under the Cooperative Society Act or Indian Companies Act or Indian Trust Act. There are about 7,000 FPOs registered in the country ([Neti et al. 2019](#)) of which around 30 per cent are operating viably while 20 per cent are struggling to survive and the remaining 50 percent are still in early phases of mobilisation, equity collection and business planning ([Business standard](#), February 29, 2020). Government of India has set a target to form 10,000 new FPOs in the next five years with a funding arrangement of Rs. 6,868 crore. The cluster of 'one district one product' would be created while each FPO will get Rs. 15 Lakh. Three organizations, viz. Small Farmers' Agri-Business Consortium (SFAC), National Bank for Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC) are entrusted to look after the FPOs in the country. In January 2020, the Government of India created a farmer connect portal at Agricultural and Processed Food Products Export Development Authority (APEDA) as a platform for FPOs to interact with the exporters.

The Government of India is putting more emphasis on FPOs in its response to COVID-19, evident from its various policy decisions and guidelines to the states since the crisis began. For instance, in the last week of March, the central government asked state market boards to allow FPOs to buy from mandis or directly purchase from farmers for trade purposes. The Indian government directed state governments to make efforts to connect FPOs to the processing industry, exporters, bulk buyers and big retailers to maintain the supply line. After the demand from FPOs, the government allowed them to sell their produce from FPO premises through e-National Agriculture Market (e-NAM), an electronic marketing platform that does not require the produce to come to markets. This will help FPOs get remunerative prices for their produce and help track transportation online. Various state governments allowed FPOs to sell their produce by facilitating packaging, transport and marketing of their produce by relaxing limitations and providing certificates to them.

RESPONSE OF FPOs TO COVID-19 CRISIS

During the corona virus crisis, FPOs should ideally support farmers with input provision, providing extension and advisory services to members, procurement of products from members, post-harvest operations, marketing, income support to members, arrangement of loans for working capital or moratorium of loan etc. We looked at the roles played by few FPOs (Table 1) during this period and these are discussed below:

Table 1: FPOs reviewed

Sl No	Name of FPO	State
1	Abhinav Farmers Club (Pune)	Maharashtra
2	Sahyadri Farmer Producer Company (Nashik)	
3	Pravara Shetkari Producer Company (Ahmednagar)	
4	Kendramata Farmer Producer Company (Pune)	
5	MahaFPC- consortium of FPCs in Maharashtra	
6	Aterna Organic Farmer Producer Company (Sonapat)	Haryana
7	Kaushalya Foundation	Bihar
8	Satmile Satish Club (Cooch Behar)	West Bengal

Awareness Creation

The majority of the FPOs are involved in creating awareness among their members about social distancing and other hygienic measures to be taken during agronomic operations, harvesting, packaging and marketing of the produce. Satmile Satish Club from Cooch Behar of West Bengal, which

has promoted about 56 FPOs in the state, reported that awareness is being created through WhatsApp groups. Kaushalya Foundation which promoted more than 16 FPOs in Bihar state has appointed Agriculture Entrepreneur Mentors (AEM) for creating awareness. Mr. Kanwal Singh Chauhan of Aterna Organic Farmers Producer Company, Sonapat, Haryana, stated that mostly the communication related to price of produce, probable date of harvesting etc. are shared through telephonic conversation and WhatsApp groups to the members.

Support to Marketing

State governments are promoting direct marketing by FPOs as it is the best mechanism to aggregate the produce of a large number of farmers and to sell it collectively in urban centres. Most of the FPOs have directed their activities for the marketing of the produce in view of the difficulty faced by members in individual marketing and to grab an opportunity of connecting with urban consumers. Considering food supply shortage and loss at farmers' fields, 15 FPOs under MahaFPC started procurement of Tur (Pigeon pea) and gram from farmers of 17 districts of Maharashtra at Minimum Support Price. They were able to procure 14,000 MT from 20,000 farmers until now. Abhinav Farmers Club has linked 56 new farmers' groups to urban consumers by providing direct marketing services. Many FPOs like Sahyadri Farms and Kendraimata Agro Producer Company Ltd. are making small kits of fruits and vegetables for direct sale to urban consumers.

Box 1. Success story of ICT enabled Direct marketing: Abhinav Farmers Club from Pune

Abhinav Farmers Club has connected about 2.56 lakh members all over the country through 256 farmers' clubs and is involved in production and marketing of organic products to urban consumers (Ranadive 2018). Mr. Dnyaneshwar Bodke, who heads the organisation, said they have developed a mobile app (Abhinav Cart app) through which consumers can put their demand and also make an advance payment through apps. For this, they have contacted housing societies in urban areas like Pune and made them aware about their products through discussions. Once an order is placed, farmers are directed to harvest the required quantity only. After produce is collected from the farmers, online payment is made to them.

During COVID-19 crisis, they have added 56 more farmers clubs and linked them to societies for providing agricultural produce. After receiving orders from the societies, produce is packaged by taking all precautions, including social distancing, by the farmers. Cleaning and grading are mostly done by women wearing masks and gloves. Packaged produce is delivered at the gates of societies. They were able to overcome many difficulties. For instance, labour shortage was a major problem; however, the persons returning from the cities to the village (because of lockdown) could cushion this shock by working as family labour. Initially, transporters were not ready and those who agreed were charging more. This problem was overcome by using personal vehicles of members to transport the produce. For this, permission from RTO and agriculture department was obtained. Problems of police checking and refusal to enter the cities were solved by contacting the officials and providing required certificates to them.

Thus, during the time of disaster, the organisation could keep supply chains functional and is providing agriculture produce to the consumers at the gates of their societies at lower prices with assurance of hygiene.

Input provisions

Many FPOs are not involved in the provision of inputs as their priority at this stage is marketing the produce of members. However, a few FPOs such as Sai Pravara Shetkari Producer Company (Ahmednagar, Maharashtra) are involved in input provision to the members at 20-25 per cent less than the market price



Agro-input shop of Sai Pravara Shetkari Producer Company in Ahmednagar, Maharashtra

Post-harvest operations

During a time where surplus produce is available in the fields and supply chain is disrupted, FPOs are adding value so that the product can be sold in the future once normalcy returns. Aterna Organic Farmers Producer Company, Sonapat, Haryana, is involved in the processing of sweet corns, tomatoes etc. Sahyadri FPO in Maharashtra state is involved in processing of most of the fruits and vegetables in various forms. However, the post-harvest operations of these FPOs are running at sub-optimal capacities due to shortage of labour and inputs like ingredients and packaging material.

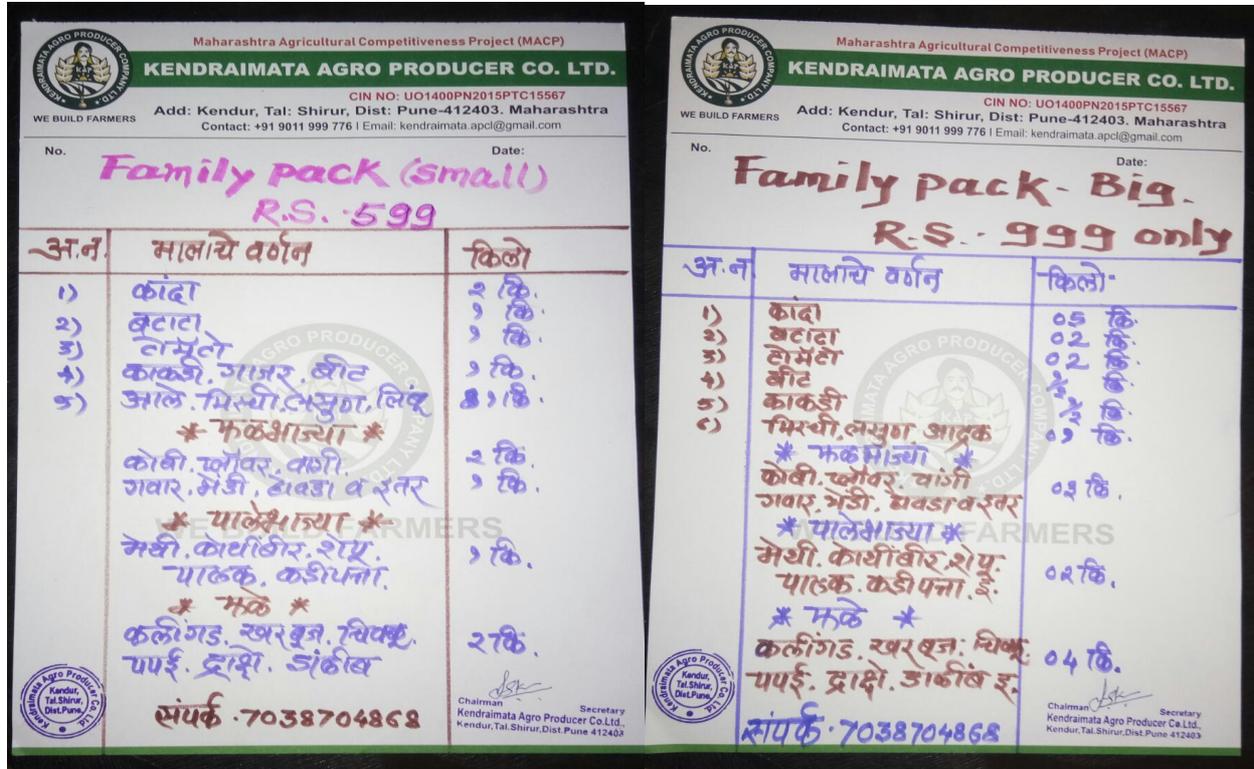
Income support/ loan for working capital/moratorium of loans

Though these activities are also expected from FPOs during the crisis, as of now priorities of FPOs are different and no one is looking into this aspect. However, the FPOs are demanding from the state and central government for income support and moratorium on loans, and making available working capital to the members.

Box 2. Turning crisis into opportunity: A case of Kendraimata Agro Producer company

During the COVID-19 crisis and subsequent lockdown, farmers are unable to sell their produce while consumers are paying higher prices and facing shortage of vegetables. In such a situation, Kendraimata Farmer Producer Company located at Kendur in Pune district of Maharashtra state came forward to supply fruits and vegetables to household societies to avoid the crowd in markets. This FPO started supply of packs containing vegetables and fruits sufficient for a family for one week. In other districts, they are supplying semi-perishable vegetables such as onion and potato. The supply of onion from farmers to Tamil Nadu market is also one of the activities prior to lockdown, but it was later discontinued due to lack of transportation. The family pack of 12 kg contains 15 different types of vegetables and fruits such as onion, potato, tomato, cucumber, carrot, sugarbeet, garlic, ginger, green chilli, lemon, cabbage, cauliflower, brinjal, guar, bhindi, fenugreek, coriander, spinach, watermelon, sapota, grapes, pomegranate, papaya etc.

This FPO supplied more than 500 family packs and 450 quintals of vegetables to urban consumers in the last week of March. Collective demand from the societies from Pune city was accepted through Whatsapp. Boxes of family packs were supplied at the gate of the societies once or twice in a week. Customers can choose from different basket packages ranging from Rs. 400 to Rs. 999. Since the mode of payment is digital, the delivery is contact-less. Thus, the FPO is helping in providing fair-priced fruit and vegetable to urban consumers and also earns income for its members.



Receipts for vegetables sold as family packs

CHALLENGES FACED BY FPOs

The majority of the problems are related to transport of the produce from FPO premises to urban areas. Many transporters show hesitation in view of harassment by police or administrations. Though some are ready, they demand two-way fare which increases cost of operation. In one case, a truck operator demanded double the rate for transport from Pune district of Maharashtra to Chennai in Tamil Nadu state (demand was put to FPOs), as his return fare was not assured. Many times, there is difficulty in getting fuel for transport vehicles during lockdown. As FPOs lack mini trucks or tempo, they are dependent on other operators given that purchase of vehicles in the short run is not feasible. Other related challenges include interference by police and local bodies like medical officers, Gram Panchayat resulting in restricted mobility through villages.

Another important problem is labour availability. Because of lockdown and restrictions, workers left their workplaces to go home or are living in temporary accommodation arranged by the government. Unavailability of labour is affecting harvesting, packaging and grading operations. As discussed earlier, those FPOs engaged in value addition are also facing difficulty because of workforce shortage and are working at a reduced capacity. Non-availability of inputs required for marketing like cardboard, bags etc. is also affecting FPO operations. Other related challenges include non-availability of containers, ingredients etc. Aterna Organic FPO from Sonapat reported that they are processing the product at 10 per cent their optimal capacity as labour and inputs are not available at this time. Restrictions placed on the number of workers and social distancing led to halting of operations at some FPOs.

Export contributes significantly to revenues of many FPOs. Lockdown has forced-stopped export. Many FPOs had no alternate strategies and incurred huge losses. For example, some members of FPOs in Nashik district had cultivated their grapes for export purpose (with more cost of cultivation and compliance). As export has stopped, selling the same grapes in the local market at a lower rate would not even cover their cost of cultivation. Mr Yogesh Thorat leader of MahaFPC, a consortium of FPOs in Maharashtra noted that still many FPOs are not working effectively. Only about 20 per cent of FPOs in the state are engaged in direct marketing as well as online trading during this crisis.

The piecemeal approach of a few FPOs may not cater to the need of urban population if the government takes a decision to extend the lockdown period. Therefore, bringing together all FPOs is necessary to provide regular supply of fruits and vegetables to the cities (Pune city alone requires about 1500 MT of fruits and vegetables every day) in the coming days. Though the government allowed sale of produce through e-NAM from FPOs, the latter demand waiving of mandi fees (0.5 to 2 % of the total value of traded produce) to register on e-NAM.

Most of the FPOs are at a nascent stage and have limited infrastructure like pack-houses with inadequate sanitary measures. They lack cold storage facilities or cold chains that can help avoid losses. They also face problems of more processes and permissions to work during the crisis. Many were not prepared to deal with such situations and lacked consumer databases, online booking capabilities, websites and mobile apps to tap into the demand to participate in a supply chain.

Along with these administrative, economic and systemic problems, FPOs also had to face some social problems. In some instances, truckers who went to deliver vegetables and fruits to Pune and Mumbai, was not allowed to stay in their village on return for the villagers feared they might be carrying the virus. Managing the crowd during delivery and sale of produce is another challenge FPOs face.

POLICY SUGGESTIONS AND WAY FORWARD

To cope with a crisis like COVID-19, FPOs have to be managed like businesses that benefit farmers. Some of the suggestions in strengthening FPOs from our analysis are listed below.

- a. Impact of COVID-19 is likely to prevail for some more time. Therefore, bringing remaining FPOs on board to a consortium is extremely important to keep the supply chain normal. Creating awareness among them, creating leadership, providing consultation and guidance to them, facilitating initial operations etc. are some of the measures to bring them on board.
- b. Diversifying the activities of the FPOs would help them to bounce back in crisis and increase resilience. Rather than totally depend upon one of the activities like export, FPOs should diversify their activities with value addition, direct marketing etc. Losses arising from failure in one type of activity would be absorbed by functional activities.
- c. Proper infrastructure at FPOs is the need of the hour. Organisations like Mahagrapes in Maharashtra had shown how necessary infrastructure like pre-cooling unit, cooling unit, cold storage can be built at society level, where products of members can be aggregated and stored till the next cycle of demand arrives or for further processing. This has helped them to export their produce to meet demand in the European market. During the present crisis, the need for infrastructure like pack-houses, cold storage etc. are being felt by many FPOs. Therefore, more funds can be allocated to FPOs to establish basic marketing infrastructure in the future. Different donor organisations, NGOs, trusts can support performing FPOs to overcome such bottlenecks during crisis.

- d. The problem of transport was reported as many FPOs do not own vehicles. Owning a vehicle would help in continuous direct marketing. Therefore, along with the other market infrastructure, funds may also be allocated to purchase vehicles and make FPOs less reliant on the transport sector. For new FPOs, the government is going to provide Rs 15 lakh. Most of these funds would be used for infrastructure development and vehicle purchase.
- e. Market linkages are still weak and FPOs are disconnected from urban consumers. Innovative models using ICT platforms (as used by Abhinav Farmers Club), artificial intelligence and machine learning should be used to gather inputs about demand. This must be backstopped by required facilities to supply produce to urban clusters. Market linkages in cities to operate farmer-to-consumer models may be developed by allocating societies in a specific area to a particular FPO for marketing and sale of produce.
- f. Online market platform e-NAM offers great scope for FPOs to trade their produce. Therefore, more FPOs should be registered on e-NAM to harness the benefits of online trading for their members.
- g. During this crisis, FPOs need to have links with the Public Distribution System (PDS) for the supply of semi-perishable commodities like onion, garlic, potato, etc. to meet the need of consumers dependent on PDS. Governments can take necessary steps in this direction.
- h. FPOs should be an integral part of coordination and convergence of extension services along with ATMA and KVK in the district. A mechanism is needed at district level to share with FPOs the advisories that go to ATMA and KVKs . During times of disaster, this will help in fast dissemination of reliable information.
- i. Employing students of BSc (Agri), MSc (Agri) in Social Sciences, ABM, MBA, MSW during their industrial training, RAWE programme or research project to work with FPOs. They could be tasked with developing business models for FPOs and improve their performance to bring them on par with private start-ups in the supply chain. Support can be taken from established enterprises such as Big basket, Ninja-cart etc.
- j. To increase professionalism in FPOs, capacity building of members or board of directors in supply chain management and other procedural aspects related should be undertaken. State-level SAMETI or national level MANAGE can do such training.

To empower FPOs and prepare them for a future with unforeseen disasters and crises, we need to learn lessons from the current situation.

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