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Role of extension in leveraging FPOs for small and marginal farmers

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ABSTRACT

In India 85 per cent farmers are small and marginal with land holding of less than 2 hectares and the average size of land holding being 1.33 hectare/farmer household. Even after the second generation economic reforms in India, critics argued that there was not major growth in agricultural sector in India that led to economic prosperity of small and marginal farmers. Under this backdrop Government of India has been promoting farmer producer organisations (FPOs) through the NABARD and fact is that FPOs is the need of the hour as GoI is preparing for FDI in agriculture. There is huge gap in target and achievement in the formation of FPOs. The scholars had unanimously accepted that in the formation and sustainability of FPOs as a producer company, the role of extension is of paramount importance. The extension roles identified in formation of FPOs are locating farming community, awareness creation and community mobilisation, organising community meetings through local leaders, social capital formation, facilitating formation of core group, capacity building of farmers, facilitating registration, arranging trainings for board of directors and chief executive officers, technical support and ensuring market access.

Key words: Small and marginal farmers; farmer produce organisations; extension role

INTRODUCTION

Rural people in many parts of the world often mention inaccessibility to markets as one of the major impediments in raising their living standards through farming. Low population densities in rural areas, remote location, high transport costs, lack of understanding of the markets, limited business, negotiating skills and lack of an organization that could give the bargaining power, larger and stronger market intermediaries and impediments in accessing rich countries' markets (Anon 2003) confronted with international competition, end of price stabilisation measures, the opening to imports, the suppression of subsidies for inputs and the dismantling of public and para-public support measures for the rural sector have led to more competitive and unstable environment for small and marginal farmers (Bosc et al 2001). The condition of small and marginal farmers of India is not different. Even after the second generation economic reform in the country, critics argued that there was not major growth in agricultural sector in India that lead to economic prosperity of small and marginal farmers. One major cause is that 85 per cent are small and marginal farmers with land holding of less than 2 hectares and the average size of land holding being 1.33 hectare/farmer household. Due to this fragmentation and disorganization it is not economically viable for the farmers not only to adopt latest technology but also to use high yielding varieties and inputs like seeds and fertilizers (Anon 2015). In nutshell landholding is not supportive to economy of scale. So in order to avoid isolation of small scale farmers from the benefits of agricultural produce they need to be integrated (Vadivelu and Kiran 2013) as farmer collectives are viewed as an important element in linking smallholders with modern markets (input and output) as they provide many benefits for this interface (Trebbin and Hassler 2012). Under this backdrop the National Bank for Agriculture and Rural Development (NABARD) is promoting farmer producer organisations (FPOs) in rural areas in the form of producer companies with the financial support of government of India. Not only so national mission on agricultural extension and technology (NMAET) is also proactive in favour of FPOs through:

- Encouraging the aggregation of farmers into interest groups (FIGs) to form FPOs
- Providing requisite technical support and knowledge to farm schools, FFs, FIGs/CIGs/ FSGs/FPOs and farmers in general
- Advising the farmers/FIGs/CIGS/ FPOs in consultation with line departments

The learning from the roundtable discussion (held at seven places of India, from 3 April 2012 to 31 July 2012) organised by small farmers' agribusiness consortium (SFAC) regarding current situation and needs of FPOs across the country identified major areas and out of those areas in which extension roles are desirable are given below (http://sfacindia.com/Krishidoot.html):

- Lack of awareness about FPOs amongst producers, corporate sector, input suppliers, commercial banks, district level and agriculture department officials
- Significant need for training and capacity building of farmers, shareholders, board of directors, FPO staff and handholding institutions
- Lack of access to and knowledge about extension services that can lead to productivity enhancement at farmer's field level
- Lack of an effective coordination and consultative mechanism at the regional and national level to network FPOs and leverage their collective voice and bargaining power

Defining producer organisation (PO)

According to (Anon 2015) an organization will be called a producers' organization if:

- It is formed by a group of producers for either farm or non-farm activities.
- It is a registered body and a legal entity.
- Producers are shareholders in the organization.
- It deals with business activities related to the primary produce/ product.
- It works for the benefit of the member producers.
- Portions of profit are shared amongst the producers and the balance goes to the share capital or reserves.

Hence a producer organisation is an association, a society, a cooperative, a union, a federation or even a firm that has been established to promote the interests of farmers. As each producer has its own farm, the main goal of the PO is to provide services that support producers in their farming activities including the marketing of the farm products (Bijman and Wollni 2008).

Why FPOs?

FPO is need of the time mainly for two reasons:

Economy of scale: In microeconomics, economies of scale are the cost advantages that enterprises obtain due to size, output or scale of operation with cost per unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output (https://en.wikipedia.org/wiki/Economies_of_scale). Small and marginal farmers in aggregation may attend the economy of scale.

Market access: Since direct marketing of the agricultural produce is also the need of the hour efforts may be made to provide facilities for lifting the entire stock that farmers are willing to sell with incentive price (Vadivelu and Kiran 2013). Agricultural production and trade can increase through a partnership of farmer groups, extension groups and farmer associations and then only farmers may be able to secure commercial contracts for their produce selling at higher prices than possible individually (Anon 2000). Primary producers' organisations or collectives are being argued to be the only institutions which can protect small farmers from ill effects of globalization or make them participate successfully in modern competitive markets (Trebbin and Hassler 2012).

Present numeric status of FPOs

Till May 2015 there were 879 FPOs (Table 1) although the Union Finance

Minister while presenting union budget for 2014-15 had announced setting up of producers organization development and upliftment corpus (PRODUCE) Fund of Rs 200 crore in NABARD to be utilized for the building and promotion of 2000 farmer producer organizations (FPOs) in two years. From this data it may be inferred that there is a huge scope for increasing the number of FPOs.

Fact is that the efforts for integrating the farmers in India is not new since the launching of Swarnajayanti Gram Swarojgar Yojana (SGSY) through the establishment of self-help groups (SHGs) it was in positive direction followed by number of initiatives in this direction viz grower associations, user associations, farmer cooperatives, farmer interest groups, farmers' clubs and from the year 2002 onward, producer companies were introduced in India. When FPO is an 'organisation' it will be an organized group of people with a particular purpose such as a business. Actually it is a business organisation under the company act, ie the clauses of private limited company shall be applicable to the producer companies except the clauses specified in Producer Company Act. As FPOs work in business mode consequently the roles of the extension personnel start from the formation of producers organisations to convert them into profitable and sustainable business organisations. However it is challenging as farmers from the underdeveloped and developing nations are squeezing in between the whimsical nature and unpredictable market and Indian farmers are not exceptions. Struggling with various constraints small and marginal farmers of India are producing different agricultural produces however they are not getting the expected market price of their produce. Now the big challenge is how the farmers in group formation can safeguard their interest and how agricultural extensionists may contribute in group formation and sustainability of group with FPOs.

Critical consideration during group formation

From the aforesaid discussion it is clear that a producer organisation is based on group approach. Commodity interest groups, district farmer networks and farmer associations are some other terms used interchangeably. However the process adopted in group formation is extremely vital whatever the group is called. The group development process should be bottom up and it must be owned by its members and operated democratically. Groups generally require a set of rules and regulations or by-laws to govern their operations. It is often difficult to get total commitment of all the members for the agreed rules and enforcing complete compliance with them is often wanting. There are numerous evidences to suggest that this is the main reason why the producer organisations fail to achieve their desired goal.

Table 1. State-wise FPOs registered in the country as on 7 May 2015

State	# farmers			# FPOs		
	Mobilized	Under-mobilization	Total	Registered	Under the process of registration	Total
Andhra Pradesh	5976	6024	12000	5	7	12
Arunachal Pradesh	1750	0	1750	2	0	2
Assam	25000	0	25000	25	0	25
Bihar	14148	3852	18000	8	11	19
Chhattisgarh	13293	12707	26000	5	20	25
Delhi	3535	0	3535	4	0	4
Goa	1810	0	1810	1	1	2
Gujarat	31047	953	32000	22	11	33
Haryana	8408	0	8408	16	9	25
Himachal Pradesh	3698	1152	4850	0	4	4
Jammu	3694	287	3981	1	2	3
Srinagar	3120	960	4080	1	3	4
Jharkhand	10009	0	10009	8	0	8
Karnataka	25904	58596	84500	14	68	82
Madhya Pradesh	83277	61723	145000	54	90	144
Maharashtra	63052	28448	91500	46	43	89
Manipur	2650	300	2950	2	1	3
Meghalaya	1970	3105	5075	2	2	4
Mizoram	1700	1000	2700	0	3	3
Nagaland	1750	0	1750	2	0	2
Odisha	26097	12803	38900	6	35	41
Punjab	6288	0	6288	7	0	7
Rajasthan	51277	6223	57500	42	7	49
Sikkim	1876	0	1876	2	0	2
Tamil Nadu	60366	0	60366	53	7	60
Telangana	58354	0	58354	44	10	54
Tripura	2850	0	2850	3	1	4
Uttarakhand	44004	0	44004	7	0	7
Uttar Pradesh	55444	7447	62891	84	11	95
West Bengal	58599	10901	69500	17	50	67
Total	670946	216481	887427	483	396	879

Source: http://sfacindia.com/PDFs/Statewise-FPO-registered-in-Country07-05-2015.pdf

Critical considerations regarding group approach: Group activities in marketing have a greater chance of success when attention is not only paid to capacity building in areas directly related to marketing such as researching markets and negotiating with buyers but also to overall organizational and management skills such as basic problem solving and conflict-resolution skills that could help the groups operate independently (Bingen et al 2003).

- The presence of leadership and management skills appears vital for the success of groups. Without such skills a group may have little chance of long term success (Barham 2006).
- Enterprises working in a market environment (whether collectively or individually owned) have ultimately to make a surplus in order to survive (Gibson 1993).
- Adding value to products at farm level in group level required significant investment and without guaranteed returns this can increase the level of risk faced by farmers (Barham 2006).
- NGOs and CBOs provide marketing training to groups and individuals. This includes training in production and marketing systems, constraints and opportunities, market demands (products and service) and how to assess whether products can be supplied profitably (Kleih et al 1999). However many NGOs and CBOs work with farmer groups either because it is the structure that the farmers prefer (there may be a culture of group activity) or because the NGO/ CBO prefers this approach (due to financial and coverage reasons). Yet group approaches to the adoption of agro-processing technology are often weak and entrepreneurial skills are less evident than when working with active individuals (Bockett 1999, Hall and Andrews 1996).
- Cooperatives or groups established by donors or NGOs have been hijacked by politicians or 'big men' (Coulter 2006).
- Often groups fail because they have been formed too quickly and too much is expected of them. Group enterprises are more likely to succeed when based on joint marketing rather than joint management/ownership of assets because the latter requires more complex skills and experience (Stringfellow et al 1997).
- It must be recognized that farmers incur hidden costs as well as potential benefits from group activities. These need to be borne in mind when planning group formation and the potential costs should be explained in advance to farmers. Such costs include loss of freedom to market produce when and to whom they want. Additionally there is the opportunity cost of time spent in meetings and in communication with other group members as well as the costs of ensuring that officers and members of the group comply with its by-laws (Coulter 2006).
- Long-term commercial success is not achieved by doing almost everything for farmers as might

apply to a relief programme but by facilitating farmers to do things for themselves and to enable them to link up with appropriate service providers (Dunnington 2006).

Agricultural extension domain role identification for FPOs

Farmer producer organisation as company has multi-facet activities which start before the formation of company ie from group formation initiation. When term 'domain' is accepted for explicit it obviously accepts the identification string that defines a realm. According to Chamala and Shingi (1997) the following issues need to be considered when developing the extension role especially for farmer organizations:

- Is there an identifiable need for extension in specific commodities in the area covered by the FO?
- Would the FO be able to generate enough revenue from the extension activity alone (with farmers willing to pay for these services) to meet the FO's expenses and to provide satisfactory rewards to its members for their monetary and non-monetary contributions?
- How sustainable will the extension activity be over time and therefore how sustainable will the organization be?
- Can the advice given be actually put into practice and produce tangible benefits to the FO members?
- The organization will need to provide specific information in addition to the general information available from research centres. To do this and to survive the organization will need a research linkage with government and university research institutions.
- It is necessary to appreciate that extension markets are governed by factors such as agro-climatic variations, infrastructure development and the strength of market forces. FOs operating in desert regions, single-crop rainfed areas and predominantly irrigated areas will have different occupational and extension needs; therefore variable response patterns to extension have to be anticipated.

Extension roles in formation and sustainability of FPOs

Locating farming community: All kinds of farm produces in all locations are not equally potential for sustainable business. Equally all farming communities are not equally ready for formation of FPOs. This beginning assessment should come from extension people. While selecting location for FPOs formation, the economy of scale and community's preparedness for working together need to be judged.

Awareness creation and community mobilisation: Any extension activity starts with awareness creation among the masses and FPO is not exceptional as it requires involvement of large number of farmers contiguously growing crops. As FPOs have minimum shareholding members numbering 50 at the time of registration with the scope of increasing the number and even it may cross 1000. Assembling a large number of farmers in a common place is not easy task whereas to make it convenient favour from Panchayati Raj institutions, local clubs, self-help groups, civil societies, NGOs and other voluntary organisations may be sought. In awareness level ensuring the presence of officials from NABARD and banks and scientists from institutions will promote the formation of FPOs. Village extension workers are the key persons in rural domain for all the extension activities so their presence, participation and activeness are pivotal for the success of FPOs. For this cause village extension workers should be well trained.

In community mobilisation for FPOs formation and sustainability, both the human and non-human resources together need to be put-forth in such a way that community priorities and needs match. During community mobilisation identification of local leaders those will shoulder responsibilities for FPOs is of paramount importance. Accordingly training of local leaders in resemblance to needs of FPOs is another important assignment for extension functionaries as from the very beginning it must be remembered that the FPOs are farmers' companies. For mobilising the farmers the representatives from successful FPOs may be requested to give deliberation or a group of farmers may visit a successful FPO.

Social capital formation for FPO: The social capital of a society includes the institutions, the relationships, the attitudes and values that govern interactions among people and contributes to economic and social development. Social capital however is not simply the sum of the institutions which underpin society; it is also the glue that holds them together. Success of FPO is the function of collective action which will come out from its members. Wambugu et al (2009) found that social capital positively affects the performance of producer organizations and developmental strategies that target commercialization of small holder agriculture through producer organizations must pay attention to the internal factors within such organizations. In this domain no other disciplines of agriculture can contribute in a better way than of extension education and agricultural extension. For formation, strengthening and nurturing social capital group lead decision and action by the FPO members are the best option. In the name of social capital we should not directly encourage cooperative farming as farmers would not like to dilute individual land right or occupancy. Before formation of group for FPOs one should assess the social capital of the community.

Organising community meetings through local leaders: In rural domain, community level meeting is the best platform for setting goals and aims and also identification of objectives for very cause of formation of FPOs. From this meeting, farmers can develop their road map and also dispel all kinds of confusion in the process of formation of FPOs. Fact is that all issues cannot be resolved by the farmers alone and presence of extension functionaries is essential as it will help to solve or resolve some issues those are beyond the domain of farmers. Even extension functionaries may have to seek the help of other experts to solve the problems which arise in meetings. Say for example bank loan related issues, extension functionaries will consult and even ensure the presence of the bank representative in the meeting.

Facilitating formation of core group: The core group is the nucleus of an FPO. Accordingly if right persons are not placed or selected the very sustainability of the FPOs will be under question. In rural domain elite capture is the major problem however bypassing big farmers one cannot think to form FPOs and another problem in India is political nepotism. So formation of core group is most challenging issue. Whether core group will be formed either through selection or election, it should be prerogative of the participating farmers however major responsibilities are of the extension functionaries who are to follow the transparency of the process. Actually this process needs patience and time both.

Capacity building: This is the major challenging task upon which the success and sustainability of the FPOs depend. Here the major role of the extension functionaries is to identify in which level the capacity will be developed; either at individual level or group level or both. However the fact is that there should not be predetermined occupancy although community level or group level capacity building is more fruitful within group approach work. For capacity building the extension functionaries should identify the areas of capacity building, for whom capacity building activities will be taken and identification of experts for capacity building of farmers.

Registration of farmer producer organizations: FPOs need to be registered under the company act. There is least chance to understand the nitty-gritty of company registration act by the farmers and at the same time they may be worried of this. In this connection the extension functionaries as facilitators have major role to play.

Arranging training for board of directors and chief executive officer of FPO: Chief executive officer is the principal post of an FPO; accordingly his decision and acumen have bearing on the success and failure of the FPO. Board of directors have consultative, decision making and action role in successful running of the FPOs. Senior extension personnel because of their knowledge on human resource management may impart trainings in some areas viz organisational structure, vision building, leadership development and communication skills and for other areas of functioning of FPOs viz business operation and management, market linkages, legal aspects of FPO, regulatory compliance, transparency and accountability experts from management institutions or companies may be supportive.

Technical support: In this tech-savvy world, minimal presence of ICT tools viz computer, laptop, printer and internet connection in the office of FPOs is desirable. In the initial phase these tools remain in good condition and with the passing of time these tools need maintenance support both for hardware and software. Therefore from very beginning, extension functionaries should inform officials of FPOs for how to tackle these situations. Not only the ICT tools, purchase of agricultural implements and their maintenance are equally important. Farm machinery bank schemes may be attached for farm mechanisation along with these FPOs.

Market access: Small and marginal farmers at individual level will not be able to become big brothers in the market whereas at collective level they may bargain equally with big farmers. Small and marginal farmers through FPOs may access local, provincial, national and international markets. Although access in local market is easy yet profit is less. However access to provincial and national market is always challenging though return is high. For accruing this benefit, market information, transport and storage facilities, grading, packing etc are very essential. Extension functionaries may support FPOs through trainings on market information availing and even may train them with the support from National Institute of Agricultural Marketing (NIAM), Jaipur. Accessing international market is also more challenging because of its terms and conditions especially in developed nations since these nations have specifications on pesticide residue level in agricultural produce, size of produce and certification from concerned laboratories.

CONCLUSION

In order to help small scale farmers to gain maximum benefits out of their agricultural production efforts, their activities need to be integrated and for this integration, extension role is of paramount importance as principles of extension are encouraging for farmers' collective actions and renewed opportunity to act in groups by forming farmer producer organisations. However before setting off to establish a producer company the farmers must have clear understanding of the critical considerations viz objectives of the company, area of operation, assessment of requirement of land and other infrastructure, potential of the business, credit requirement, human resource needs and sources of capacity building, financial viability and incorporation process etc. These critical considerations may be achieved through the extension roles of locating farming community, awareness creation and community mobilisation, organising community meetings through local leaders, social capital formation, facilitating formation of core group, capacity building of farmers, facilitating registration, arranging trainings for board of directors and chief executive officers, technical support and ensuring market access.

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