

WEBINAR ON OPPORTUNITIES & CHALLENGES OF FPOs DURING COVID-19

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Structure Of Presentation

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- ▶ Food and Agriculture sector overview
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- ▶ Challenges faced by FPOs
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- ▶ Opportunities for FPOs
- ▶ Way forward for FPOs

Introduction

- ▶ Agriculture is a unique industry where production is subject to seasonality, storage & marketing is subject to perishability & the activities itself is subject to time sensitivity.
- ▶ *KEY CONCERNS TO SMALL FARM HOLDERS :*
 - Inadequate farming and extension services and low level of technology adoption
 - Lack of capital and poor business skills
 - Low income due to poor infrastructure and low market efficiency .
- ▶ The institutional approach as FPOs is one of the landmark initiative to double farmers income by poverty reduction, agricultural revival and social empowerment is also considered as one of the important ways.

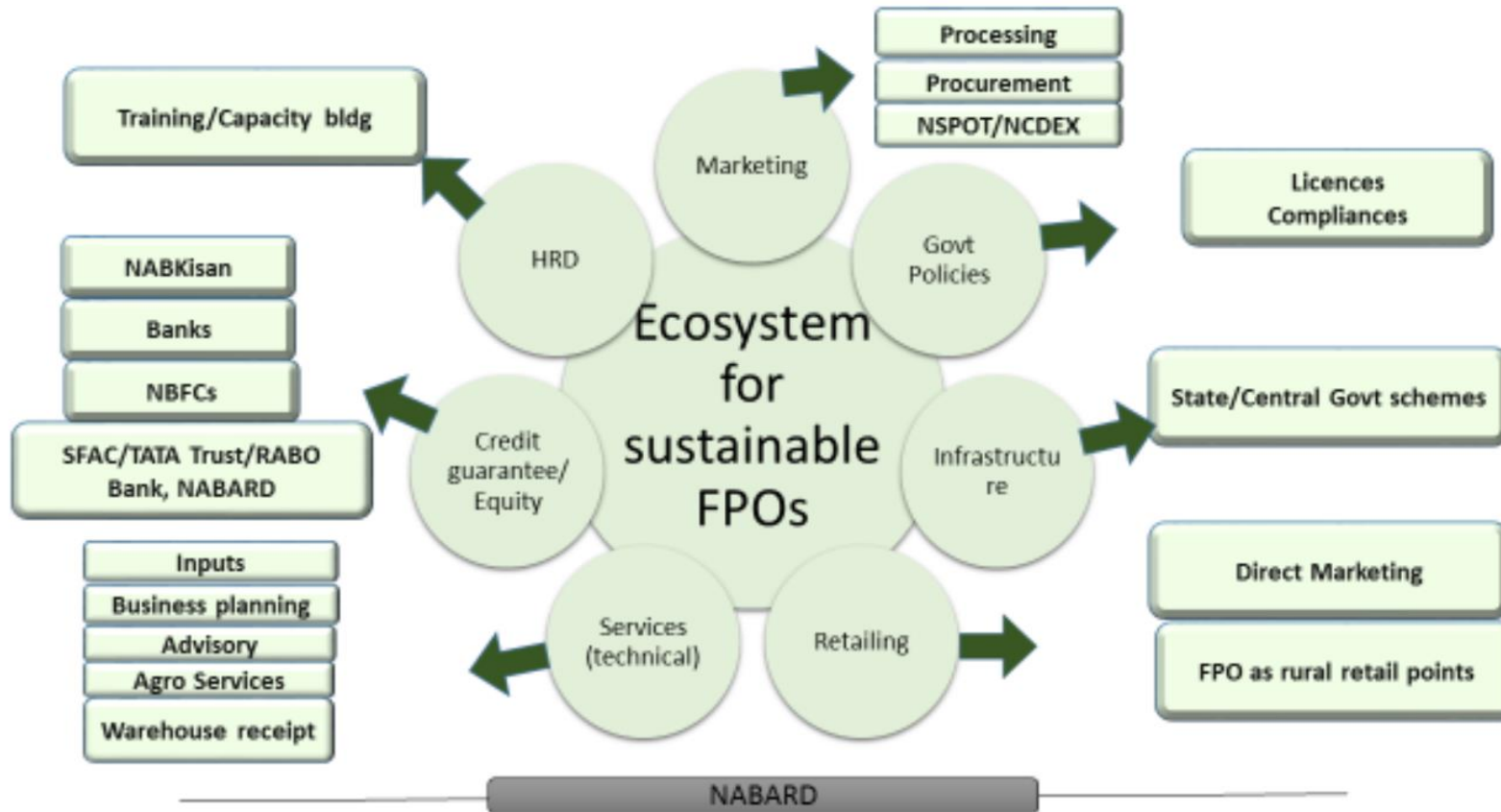
- ▶ The year 2020 envisages an unprecedented crisis where India announced total lock down. Covid 19 have created wide and pervasive disruption at social and institutional level
- ▶ Building resilience through Farmers Producer Organization is one of the most important way. The answer to the challenges facing FPOs lie in efficient farmer collectivization, which advises greater bargaining power, better market and price discovery, access to credit and insurance and sharing of assets and costs.
- ▶ As per Central Sector scheme Rs 7000 crores supports for Formation and promotion of Farmer Producer organization of 10000 new FPOs in order to provide adequate handholding and professional supports to develop economically sustainable FPOs while facilitating adequate market and credit linkage

Food & Agriculture Sector Overview In India

Sector contribution to GDP and employment	16.5% of GVA and 43% of employment(2019-2020)
Market Size	Food & Retail Market: USD 82892 billion(2020) Food processing:USD543 billion(2020)
Global Presence	1 st in dairy, spices and cashew, 2 nd in food grains, fruits and Vegetables
FDI equity in flow in food processing sector(Percent of total FDI)	2:14 percent(April 2000-Dec2019)
Major Processed food segments(Value)	Dairy(29 percent),Edible oil(32 percent) cereals(10 percent)
Agriculture input market size	Seed- USD 4 billion, Agrochemicals USD 5 billion and Fertilizers-USD 19.3billion
Food and grocery distribution in e-commerce domestic trade(percent)	Dry food groceries, Beverages, Fresh Produce, Dairy Perishables and spices
Source:home.kpmg/in	

Sustainable Ecosystem for FPOs

- ▶ A congenial ecosystem is must for development of producer organizations because they have to deal with the most vulnerable part of agri-value chain, which starts from the farm to fork.



A multi-pronged approach

- ▶ According to the Department of Agriculture and Cooperation, the FPO has emerged as the “most appropriate institutional form to mobilise farmers and build their capacity to collectively leverage their production and marketing strength.”
- ▶ A multi-pronged approach encompassing a series of interventions described below can significantly strengthen FPOs in the long run.
- ▶ **(a) Technical support facility:** It can help build transition FPOs from a production-oriented model to a more value-addition and agribusiness focused model. It will offer farmers access to a range of services viz training, sourcing of inputs, mechanization, value addition, market information and linkages. For this, it will need to leverage solutions of private sector companies and NGOs
- ▶ **b) Innovative capital infusion mechanisms:** . Currently, direct equity investments not being permitted in FPOs limit their capital access. FPOs need to onboard financing partners who can address their capital requirements. Potential alternative financing structures such as guarantee fund, results-based finance and insurance structures to facilitate capital infusion into FPOs need to be explored

- ▶ **(c)Diagnostics and credit rating mechanism:** Lack of information about creditworthiness attributes to the poor credit flow into FPOs. Formal financial institutions are wary of lending to FPOs, largely due to the latter's inability to provide adequate collateral to cover the lender's risk. An FPO diagnostics and credit-rating mechanism can encourage financiers unlock credit flow. It will also help FPOs strategies to improve their operations.
- ▶ **(d) Apex body for FPOs:** A self-regulatory body designed to protect the interest of FPOs and farmer members is needed. This apex body can be responsible for policy advocacy on issues affecting FPOs, establishing standards for strengthening governance and accreditation for rating tools and service providers. e.g. Microfinance Institutions Network (MFIN) is established to ensure industry standards, surveillance, grievance redressal for MFI clients, advancing financial literacy, and knowledge dissemination etc.
- ▶ **(e) Treating FPOs as agri-start ups:** A start-up, as defined by the Startup India scheme, is an entity that's registered as a Pvt Ltd Co, Partnership firm or a limited liability partnership in India with a maximum vintage of 7 years.(10 years for the biotechnology sector) from the date of its incorporation and turnover not exceeding Rs 25 Crores. FPOs are akin to agri-start ups and hence can have host of benefits viz. tax exemption on capital gains for investors, tax exemptions to start-ups for the initial 3 years, favourable public procurement norms and easier access to funds

IMPACT OF COVID-19 ON BUSINESS OPERATION OF FPOs

► **Where impact is Immediate and Intense**

Export and distance market, global market

Poultry

Horticulture produces

► **Delay but highly vulnerable**

Delay in procurement.

Liquidity crunch due to inability to rotate funds & sudden rush of commodity to market.

Competition from traders.

► **Difficulties on Horizon**

Not just impacted immediately but remain highly vulnerable

Mango- where post harvest activities require manpower, which will hamper sales, if not addressed

Maize- Due to disturbance of poultry and processing industry for labour scarcity, maize demand may go down.

RESPONSE OF FPOs TO COVID-19 CRISIS

► *Facilitating the role for agriculture operation:*

(a) 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

(b) 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

► *Providing credible information to the FPOs members*

(a) 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. Recently few FPOs has appointed Agriculture Entrepreneur Mentors (AEM) for creating awareness about business activity by farmers group limiting to social distancing is a bigger role. Although economic sustainability is important but social sustainability as a health indicator is equally pivotal as wealth creation.

(b) 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. The members to be advised not to go for distress selling and assured buying support immediately once the lock down is over. E.g. State like Odisha lunches website for vegetables, fruits farmers to sell their produce www.odihortimarketing.nic.in here facilitate easy and timely marketing of horticultural products. The district level officer of horticulture department will provide data on sellable product of their districts. So interested traders can contact the farmers. Already 1500 traders are available in the website.

CHALLENGES FACED BY FPOs

- ▶ **Transport of the produce from FPO premises to urban areas**
- ▶ **Labour availability.**
- ▶ **FPOs engage in value addition**
- ▶ **Export.**
- ▶ **FPOs are at a nascent stage**
- ▶ **FPOs managing the crowd during delivery and sale of produce.**
- ▶ **Lack of Inadequate Professional Management**
- ▶ **Inadequate Access to credit**
- ▶ **Lack of Risk Mitigation Mechanism**
- ▶ **Inadequate Access to Market**
- ▶ **Inadequate Access to Infrastructure**
- ▶ **Lack of technical Skills & Awareness**

Strategies to overcome present situation

- ▶ Restricted time for mandis
- ▶ Use of E-Nam
- ▶ Publish e Negotiable Warehouse Receipts
- ▶ Alternative market linkage Support BY FPOs

Opportunities for FPOs

- ▶ FPOs have a **choice of selecting an appropriate legal entity** for their producer organization depending upon their requirements.
- ▶ FPOs may help in bridging the great price variation between **the retail prices and producer's price & help to reduce transportation costs, wastage and other transaction costs of the farming community** which increasing the shelf-life of the produce.
- ▶ Due to economies of scale and efficiency in the operations, **FPOs will enhance their competitiveness and increase their advantage in the emerging market opportunities.**
- ▶ State Governments should use **FPOs for implementing various programs undertaken by the governments like Rastriya Krishi Vikas Yojana (RKVY), National Food Security Mission (NFSM) through linkages with Agricultural Technology Management Agency (ATMA).**
- ▶ **Under Ministry of Food Processing Rs. 10,000 crore over a period of five years from 2020-21 to 2024-25 for developing 2,00,000 microenterprises into formal framework under the scheme of ONE DISTRICT ONE PRODUCT**
- ▶ **10,000 FPOs to be formed within five years 2020-24**
- ▶ **Formation of 500 Fish Farmer Producer Organization under Pradhan Mantri Matsya Sampada Yojana**

Way forward for FPOs

- ▶ *Assessment of market opportunities and threats - SWOT Analysis*
- ▶ *Positioning - One District one product/Cluster Based Approach*
- ▶ *Strategies based on price and promotions - Marketing Mix and Marketing Plan*
- ▶ *Constant support through a viable & sustainable ecosystem - Constant support and handholding from all stake holders of FPOs ecosystem*
- ▶ *Continued policy support for promotion and sustainability of FPOs*
- ▶ *Convergence of schemes and programmes*
- ▶ *Role of FPOs in rural development*
- ▶ *Need for up gradation of skills and capacities*
- ▶ *Need more professional for FPOs.*

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THANK YOU

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