

New agri-reforms: Farmers' collectives set to gain the most

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FPOs have the potential to transform marginal and small farms from subsistence farming to market-oriented commercial farms, provided that the promotion and nurturing of FPOs is implemented in a mission mode: FPOs should be output-centric and concentrate on creating and managing the whole value chain for the identified product/crop



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By GR Chintala & Gyanendra Mani

The importance of the agricultural sector in India has always been measured more in terms of the number of people engaged in it for their livelihood, rather than its share in the gross domestic product (GDP) of the country; therefore, fostering rapid growth in the farm sector remains an important policy concern in India despite a significant decline in its share in GDP, from 59% in 1950-51 to about 14% in 2018-19.

In India, 126 million marginal and small farms together operate on 74 million hectares of agricultural land, with 0.58 hectares of average size of holding. Being small entities in terms of landholdings, they face numerous challenges in the form of poor access to markets and finances. It is now realised that some of the constraints related to product and financial markets that marginal and small farmers face can be mitigated by aggregating the farm produce by forming farmers' groups and then linking these groups to an integrated value chain that brings chain actors together. Till date, 7,000 farmer producer organisations (FPOs) have been promoted in the country by various

agencies. In fact, the NABARD alone has promoted 4,484 FPOs under its various promotional initiatives.

Covid-19 expedited the agri-market reforms process

During the Covid-19 crisis, the government of India, through its various ministries, announced various relief measures including Atmanirbhar Bharat having medium and long-term solutions. The government launched new features on the e-NAM platform to help farmers sell their produce without physically visiting wholesale mandis during the Covid-19 crisis. These were (1) warehouse-based trading module based on e-NWR, and (2) FPO trading module whereby FPOs can sell their produce at a collection centre without bringing the produce to agricultural produce market committees (APMCs). Further, direct buying facility by bulk buyers outside the mandi premises without any licensing or registration process or as decided by states/Union territories were also allowed.

Two recent ordinances on agricultural reforms—The Farmers’ Produce Trade and Commerce Ordinance 2020, and The Farmers Agreement on Price Assurance and Farm Services Ordinance 2020—promulgated by the President of India were necessitated by the urgency to help farmers by putting some legal mechanism/reform in place to facilitate inter-state and intra-state trade of agricultural produce, while allowing farmers to sell their agricultural produce at a place of their choice at a remunerative price during the Covid-19 crisis. Timely promulgation of these two ordinances reflects the Prime Minister’s vision of converting crisis into opportunity.

Ensuring sustainability of collectives in agriculture, allied sectors

Since operational guidelines for promoting 10,000 new FPOs with One District, One Product (ODOP) motto have already been issued, some protocols need to be followed while implementing the scheme and also creating more number of sustainable groups. The best part of this scheme is the creation of credit guarantee funds by the NABARD and the NCDC (National Cooperative Development Corporation), besides augmenting the corpus of equity grant fund earlier set up in the SFAC (Small Farmers’ Agribusiness Consortium). The scheme also enables states/UTs to avail assistance for FPOs under the Agri-Market Infrastructure Fund (AMIF) for the development of marketing and farm-level value addition infrastructure for FPOs.

Since operational guidelines for promoting 10,000 FPOs with the ODOP motto have already been issued, the following points may help in establishing more number of sustainable groups/FPOs.

1. Implementing agencies need to identify experienced and credible cluster-based business organisations (CBBOs) having desired technical and administrative expertise to promote sustainable FPOs. Linking FPOs to the Krishi Vikas Kendras could help farmers in many ways, especially in areas of technical support.
2. FPOs should have their members from within a reachable contiguous area to have better execution of various decisions taken by the executive committee. Cohesiveness and regular meetings ensure success in the business.

3. Federating FPOs at some level, especially at the district or the mandal level, will always be good for scalability and sustainability, and also to ensure better backward and forward linkages from the approachability viewpoint and promote ODOP.
4. Unlike in case of milk & milk products that look homogeneous irrespective of the source of animal, the same is not true with different varieties of vegetables, fruits cereals, etc, which vary in shape, size and colour. Lack of homogeneity of product fetches lesser price both in domestic and international markets. FPOs, therefore, need to grow only one or two varieties of a crop for better marketability.
5. FPOs should be output-centric and concentrate on creating and managing the whole value chain for the identified product/crop.
6. In many FPOs, shareholding is concentrated in a few hands that corner most of the profit, and this discourages other members to take interest in group activities. Although this anomaly is addressed in the new guidelines, practising equal amount of shareholding for all the members may have to be insisted upon.
7. The aggregation of farm produce as well as bulk purchase of inputs are yet to be started by many FPOs. CBBOs should encourage FPOs to start experimenting with the aggregation model by registering themselves on the e-NAM platform to take advantage of better price discovery.
8. The cultivation of agri-horticultural crops in north-eastern states is guided by local demand. Developing the north-east region as a single agricultural market would help the region to grow faster. FPOs should produce those crops that enjoy comparative advantage.

Finally, FPOs have the potential to transform marginal and small farms from subsistence farming to market-oriented commercial farms, provided that the promotion and nurturing of FPOs is implemented in a mission mode. The central government's efforts are laudable and these will be further accentuated with regulatory amendments, particularly those related to land and tenancy rights.

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