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Challenges and opportunities of farmers producer organizations (FPOs) in Chhattisgarh plain: A case study

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Abstract

In India, Farmer Producer Organizations have emerged as a significant institutional mechanism for strengthening the agricultural value chain. Farmer Producer Organizations (FPOs) play a crucial role in empowering small and marginal farmers by enhancing their access to markets, improving economies of scale, and fostering collective decision-making. Globally recognized as an effective model, FPOs aggregate smallholder farmers, enabling them to negotiate better prices for inputs and outputs while promoting sustainable agricultural practices. This study evaluates the current status, structure, and challenges of FPOs in the Chhattisgarh Plains, providing insights into their operations and constraints. Data were collected from the Regional Office of the National Bank for Agriculture and Rural Development (NABARD) and the Directorate of Chhattisgarh State, revealing that 130 FPOs were registered in Chhattisgarh between 2013 and 2017, with the majority promoted under NABARD initiatives. Most FPOs (75.67%) were registered under the Cooperative Society Act. The remaining 24.32% were registered under the Company Act. Despite the progress, FPOs face multifaceted challenges. The Garrett ranking method was used to analyze the data and draw conclusion. The constraints were categorized into personal, infrastructural, operational, economic and marketing constraints. The study also highlights the challenges faced by Farmer Producer Organizations (FPO) including limited financial resources, inadequate infrastructure and issue of institutional support. The Study recommended that policy makers and stakeholders should provide greater support to FPOs to enhance their sustainability and effectiveness.

Keywords: Farmer producer organization, current status, Chhattisgarh plains, personal constraint, infrastructural constraint, operational constraint, economic constraint, marketing constraints

Introduction

Agriculture is rightly regarded as the backbone of the Indian economy as it contributes to 13.7 percent to the country's of Gross Domestic Product (GDP) and provides employment to 58 percent of population. The Green Revolution, has led to a significant four-fold increase in food grain production during the last five decades. The production trend has projected to a laudable state of self-sufficiency from a meager 51 million tonnes in 1950-51 to record production of 284.8million tonnes of food grains by the end of 2018. This provides strong evidence for the fact that the Indian farmers are good producers. Farmer Producer Organizations (FPOs) are formal rural institutions formed to empower small and marginal farmers by enhancing their agricultural incomes through collective action. These organizations facilitate improved production practices, efficient marketing, and local processing of agricultural produce. Acting as cooperatives, societies, unions, or companies, FPOs provide a platform for farmers to access essential services such as credit, technology, inputs, and market linkages while enabling their active participation in decision-making and policy advocacy. FPOs are a business-oriented approach to mobilizing small-scale producers, allowing them to access high-value markets and modern agricultural technologies. Registered primarily under the Companies Act, they benefit

from legal and institutional support, enabling them to address the challenges of fragmented farming systems. Supported by the government, NGOs, and private organizations, FPOs play a key role in aggregating farmer interests, reducing transaction costs, and leveraging collective bargaining power for financial and non-financial inputs. The Government of India has prioritized the promotion of FPOs as part of its agricultural development strategy, aiming to establish 10,000 additional FPOs within five years. Agencies like NABARD, SFAC, and NCDC, along with CSR initiatives and agriculture departments, are actively involved in this effort. These organizations serve as a crucial mechanism for fostering technology penetration, improving productivity, and ensuring better access to markets, thus strengthening agriculture-based livelihoods. By organizing farmers into Farmer Interest Groups (FIGs) and federating them at the FPO level, these organizations facilitate capacity building, ensure access to quality inputs, and promote cluster-based competitiveness. They enable small farmers to achieve economies of scale, enhance forward and backward linkages, and transition agriculture into a profitable enterprise. FPOs are instrumental in transforming the agricultural sector into a sustainable and inclusive business ecosystem, ensuring higher incomes and better livelihoods for small and marginal farmers.

Methodology

There are three agroclimatic zones in Chhattisgarh: Bastar Plateau, Northern Hill Areas, and Chhattisgarh Plains. The state has 130 FPOs that are supported by the Directorate of Horticulture and Farm Forestry, SFAC, NABARD, and NGOs. The highest number of operational FPOs in Chhattisgarh Plains was reported as 37, followed by 13 in Northern Hills and 7 in the Bastar Plateau. But out of 37 FPOs in Chhattisgarh Plains, only 24 were functional.

The area with the highest concentration of FPOs in Rajnandgaon district, 13 FPOs, was chosen for sampling. From that district, 10% of functional FPOs were chosen; from there, 3 FPOs were selected with a total of 10

members randomly taken from each, making it a total of 30 respondents. Besides this, 10 non-member farmers from the same villages were taken randomly, making the total sample size 60.

Garrett’s ranking technique

$$\text{Present position} = \frac{100(R_{ij}-0.5)}{N_j}$$

Where,

R_{ij} = Rank given for the ith variable by jth respondents.

N_j = Number of variable ranked by jth respondents.

Table 1: District -wise position of FPOs supported by different institutions in Chhattisgarh Plains

S. No.	Name of the district	No. of FPOS				
		Govt.	NGO	NABARD	SFAC	Total
1	Baloda Bazar	2	0	0	0	2
2	Dhamtari	5	1	1	2	9
3	Gariyaband	1	0	0	0	1
4	Bilaspur	2	0	0	3	5
5	Mungeli	2	0	0	0	2
6	Janjgir	3	0	0	0	3
7	Raigarh	3	0	2	2	7
8	Kabirdham	1	0	1	0	2
9	Rajnandgaon	2	3	13	6	24
10	Balod	2	0	1	0	3
11	Bemetara	1	0	0	0	1
12	Mahasamund	1	2	4	2	9
13	Raipur	0	2	3	2	7
14	Durg	0	3	1	7	11
15	Korba	0	0	11	0	11
	Total	25	11	37	24	97

Sources: Regional Office, NABARD, Directorate of Horticulture and Farm Forestry, Chhattisgarh State, Official website of SFAC

Results and Discussion

Trends of FPOs in Chhattisgarh state over 2013-2017

The state and central governments supported both the formation and growth of Farmer Producer Organizations through their respective agencies. The trend of FPO formation during 2013–2017 is shown in Table-2. NABARD supported 43.85% of registered FPOs, followed by the Directorate of Horticulture and Farm

Forestry, Chhattisgarh at 36.15%, and SFAC at 20.00%. Figure-1 depicts that Chhattisgarh has got the highest number of new registrations of FPOs during 2016. The central government has also provided norms regarding promoting, selecting, budgeting, and registering Farmer Producer Organizations, whereas the government of Chhattisgarh prepared its own specific norms to support the FPOs.

Table 2: Distribution of FPOs by year of registration in Chhattisgarh State till 31.03.2017

S. No.	Promoting Agencies	2013	2014	2015	2016	2017	Total
1	National Bank for Agriculture and Rural Development	0	3	25	27	2	57 (43.85)
2	Directorate of Horticulture and Farm Forestry Chhattisgarh state	0	2	0	45	0	47 (36.15)
3	Small Farmer Agri Business Consortium	5	0	5	10	6	26 (20.00)
	Total	5 (3.85)	5 (3.85)	30 (23.08)	82 (63.07)	8 (6.15)	130 (100.00)

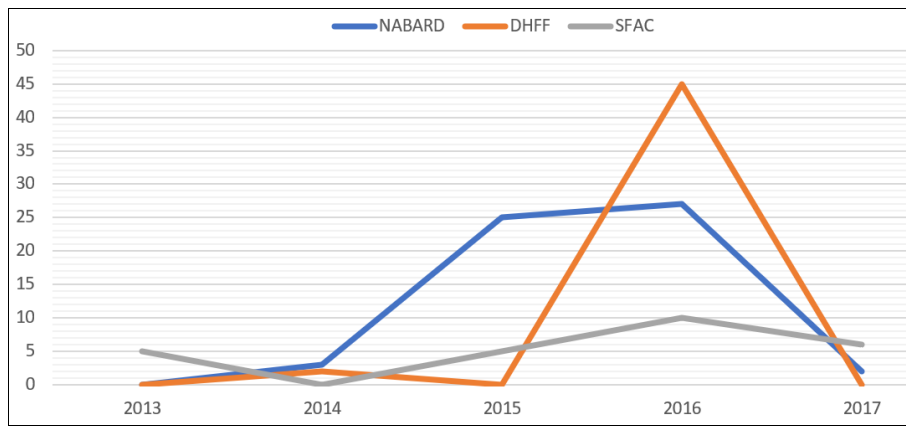


Fig 1: Trends of FPOs in Chhattisgarh state over 2013-2017

Current status of FPOs in Chhattisgarh plains

In Chhattisgarh state, there were two main legal provisions of Farmer Producers Organizations. Out of total, 75.67 percent FPOs were under Co-operative Society Act, rest 24.32 percent FPOs are registered under Company Act. The highest number of FPOs were formed in Rajnandgaon district, followed by Korba, Balod, Mahsamund, Janjgir-

Champa, Raigarh, Dhamtari and Kawardha districts. Till 31st March 2017, total 15517 small and marginal farmers were registered as member of a FPO supported by NABARD in Chhattisgarh plains. District-wise distribution of Farmer Producer Organizations in Chhattisgarh Plains with their legal provisions is presented in Table-3.

Table 3: District wise information of registered FPOs supported by NABARD

S. No.	District	No. of FPOs	Act registered under		
			Cooperative Society Act	Company Act	No. of registered farmers
1	Rajnandgaon	12 (32.43)	5	7	4749 (30.61)
2	Balod	4 (10.81)	3	1	888 (5.72)
3	Korba	11 (29.73)	11	0	5257 (33.87)
4	Janjgir-Champa	2 (5.41)	2	0	1157 (7.46)
5	Mahasamund	4 (10.81)	4	0	1145 (7.37)
6	Kawardha	1 (2.70)	1	0	450 (2.90)
7	Raigarh	2 (5.41)	2	0	1293 (8.33)
8	Dhamtari	1 (2.7)	0	1	578 (3.73)
	Total	37 (100)	28 (75.67)	9 (24.32)	15517 (100.00)

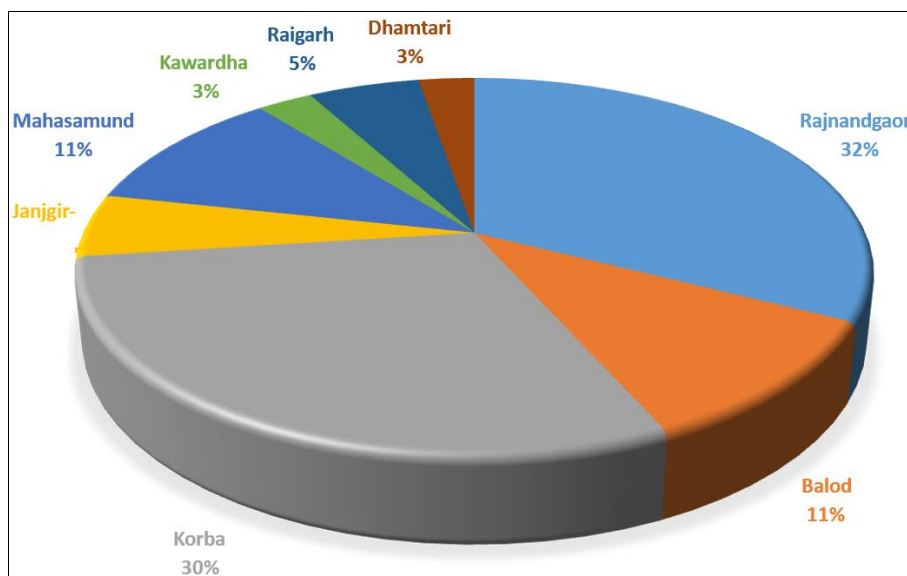


Fig 2: District wise Distribution of FPOs in Chhattisgarh Plain

Constraints faced by the members of Farmer Producer Organization

The challenges faced by Farmer Producer Organization (FPO) members in Chhattisgarh Plains were analyzed using

the Garrett ranking method. Constraints were categorized into personal, infrastructural, operational, economic, and marketing challenges.

Personal Constraints

Table 4 indicates that difficulty in reaching consensus among members was the primary challenge (mean score 56.93), followed by increased workload due to group activities (54.27). The dual responsibility of women in household and farm operations contributed to these constraints. Lack of leadership skills, financial pressure, resistance to resource sharing, and overdependence on a few active members ranked third to sixth, respectively.

Infrastructural Constraints

Table 5 highlights limited access to shared processing units (58.17) as the biggest infrastructural challenge, followed by lack of cold storage (57.8) and insufficient transportation (57.33). Poor connectivity to markets (56.37) and inadequate office facilities (54.77) further hindered efficiency, while the absence of IT infrastructure for record-keeping was the least severe constraint (52.93).

Operational Constraints

Table 6 shows that delayed implementation due to internal conflicts ranked highest (60.20), affecting the efficiency of FPO projects. Coordination challenges (58.37), limited technical guidance (54.27), and irregular input supply (50.27) also posed difficulties. Equitable benefit distribution

(48.67) and dependence on external advisors (47.7) were lesser but notable constraints.

Economic Constraints

As per Table 7, high collective operational costs (57.40) were the biggest economic challenge, followed by difficulty in securing large-scale loans (56.5) and delayed returns from collective marketing (56.3). Lack of working capital (53.63), reliance on member contributions (52.87), and challenges in accessing subsidies (50.3) were also significant financial barriers.

Marketing Constraints

Table 8 ranks the lack of collective branding and promotion as the top marketing challenge (57.60), leading to weak brand identity. Establishing external market linkages (57.1) and high transportation costs (56.2) were next. Delayed payments from institutional buyers (55.5), limited market information (52.1), and lack of real-time price data (49.53) further restricted market efficiency.

These constraints collectively impact the growth and sustainability of FPOs, necessitating targeted interventions for capacity building, infrastructure development, and financial support.

Table 4: Personal constraints faced by the respondents

S. No.	Constraints	Mean score	Rank
1	Difficulty in reaching consensus among members	56.93	I
2	Increased workload due to group activities	54.27	II
3	Lack of leadership skills among members	53.23	III
4	Pressure to contribute financially to the FPO	51.33	IV
5	Resistance to sharing resources	51.07	V
6	Overdependence on a few active members	40.97	VI

Table 5: Infrastructural constraints faced by respondents

S. No.	Constraints	Mean Score	Rank
1	Limited access to shared processing units	58.17	I
2	Lack of cold storage facilities	57.8	II
3	Insufficient transportation resources	57.33	III
4	Poor connectivity to regional market	56.37	IV
5	Inadequate FPO office facilities	54.77	V
6	Absence of IT infrastructure for record-keeping	52.93	VI

Table 6: Operational constraints faced by the respondents

S. No.	Constraints	Mean score	Rank
1	Delayed implementation due to internal conflicts	60.20	I
2	Challenges in coordinating among members	58.37	II
3	Limited technical guidance tailored to group farming	54.27	III
4	Irregular supply of inputs for bulk purchasing	50.27	IV
5	Issues with equitable distribution of benefits	48.67	V
6	Dependence on external advisors for decisions	47.7	VI

Table 7: Economic constraints faced by the respondents

S. No	Constraints	Mean score	Rank
1	High collective operational costs	57.40	I
2	Difficulty in securing large-scale loans	56.57	II
3	Delayed returns from collective marketing	56.3	III
4	Lack of working capital	53.63	IV
5	Dependence on member contributions	52.87	V
6	Challenges in accessing subsidies or grants	50.3	VI

Table 8: Marketing constraints faced by the respondents

S. No.	Constraints	Mean score	Rank
1	Lack of collective branding and promotion	57.60	I
2	Difficulties in establishing external market linkages	57.1	II
3	High transportation costs	56.27	III
4	Delayed payments from institutional buyers	55.5	IV
5	Limited market information	52.1	V
6	Challenges in adhering to quality standards	49.53	VI

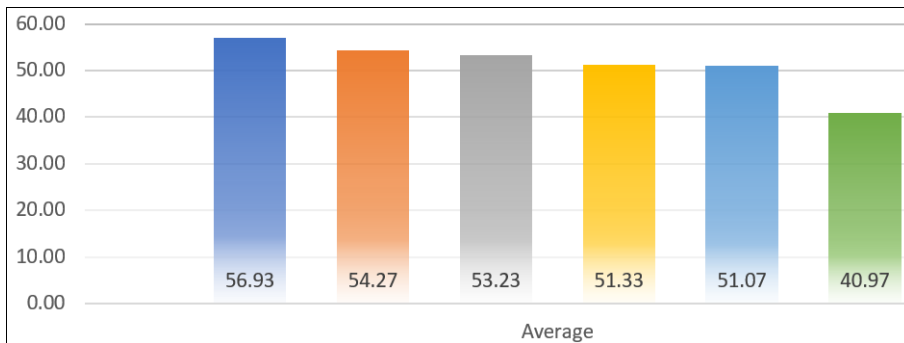


Fig 3: Personal constraints faced by respondents

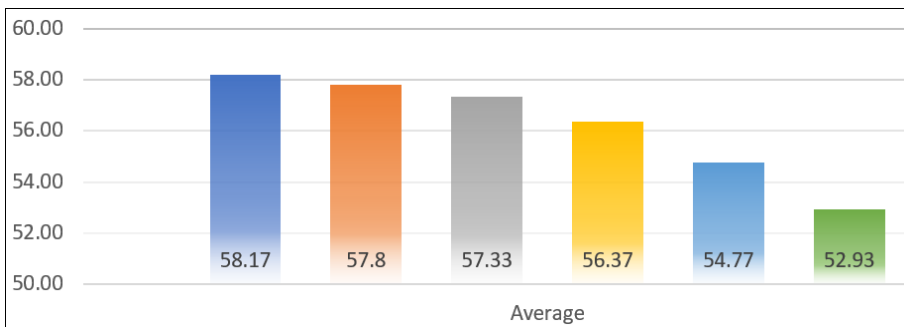


Fig 4: Infrastructural constraints faced by respondents

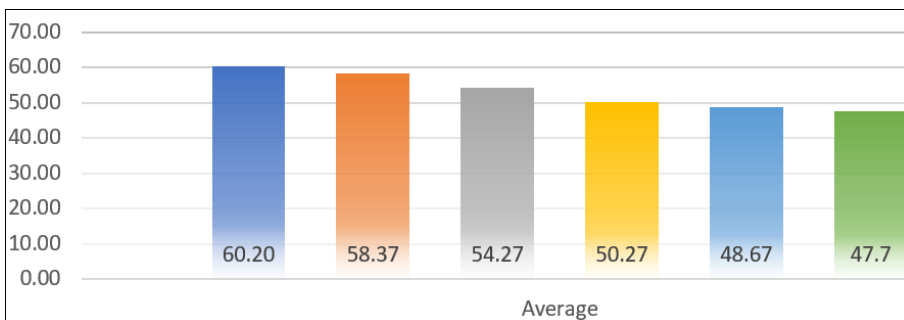


Fig 5: Operational constraints faced by respondents

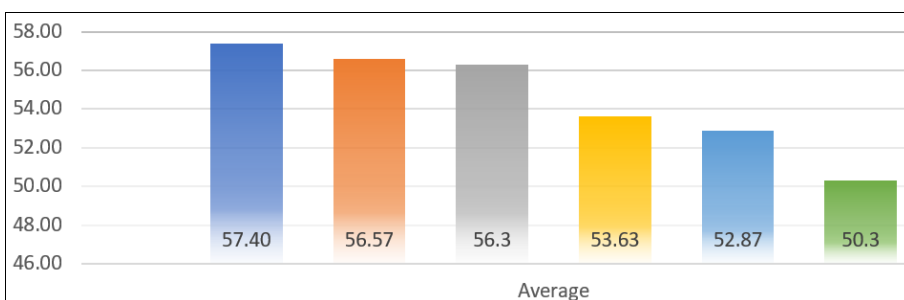


Fig 6: Economic constraints faced by respondents

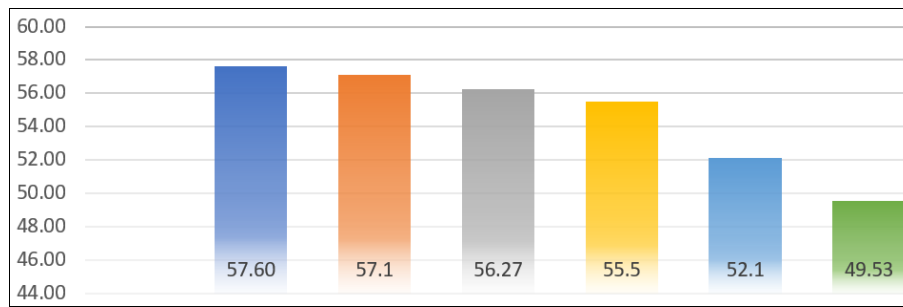


Fig 7: Marketing constraints faced by respondent

Suggestions

To overcome the constraints faced by Farmer Producer Organizations (FPOs), the following suggestions are proposed

- **Financial Support:** Governments and organization should provide grants to producer companies (PCs) during their initial stages of development. Additionally, exemptions from corporate tax for the first few years can help alleviate financial burdens.
- **Access to Credit:** FPOs should collaborate with financial institutions to design loan products tailored to their specific needs, by maintaining proper financial records and demonstrating viable business plans.
- **Equity and New Activities:** FPOs should mobilize more equity from within the membership. Identify and promote new activities that benefit small farmers, such as custom hiring services for farm machinery and equipment, can also enhance their operations.
- **Grants and Investment Support:** Governments and Organizations should make FPOs eligible for investment and working capital grants to develop processing and marketing infrastructure. FPOs can apply for subsidies or grants aimed at rural development for equipment procurement.
- **Priority in Government Programs:** FPOs should be given priority in agriculture and allied sector programs at both central and state government levels.
- **State-Level Promotion:** Creating a state-level apex body to promote and support FPOs within each state can help facilitate their growth.
- **Market Access:** Build partnerships with institutional buyers such as supermarkets, exporters, and e-commerce platforms, can enhance market access for FPOs. Participate in government programs and trade fairs can also connect FPOs with potential buyers.
- **Digital Platforms:** Develop a mobile application to provide a platform for buyers and sellers, improving market access for FPOs. Implement technology-driven solutions to automate processes and reduce operational inefficiencies.

Conclusion

The primary goal of an Farmer Producer Organization (FPO) is to enhance producers' incomes by creating a collective organization. The present study aims to promote sustainable development of farmers in Chhattisgarh. A total of 130 FPOs registered in Chhattisgarh between 2013 to 2017. Out of them 43.85 percent were promoted by NABARD, 36.15 percent by the Directorate of Horticulture

and Farm Forestry and 20.00 percent by SFAC. The majority of FPOs (75.67) registered under Cooperative Society Act, rest 24.32 percent were registered under Company Act. There were total 37 FPOs supported by NABARD in Chhattisgarh Plains. The highest number of FPOs were presented in Rajnandgaon district with 32.43 percent followed by Korba, Mahasamund, Balod, Janjgir-champa, Raigarh, Dhamtari and Kawardha with 29.73, 10.81, 10.81, 5.41, 5.41, 2.7 and 2.7 percent respectively. The study concludes that, Farmer Producer Organization (FPO) members face a diverse range of constraints that hinder their effective functioning and growth. Personal challenges, such as difficulties in reaching consensus and increased workload due to group activities, limit cohesive decision-making. Infrastructural issues, including inadequate processing units, cold storage, and transportation facilities, pose significant barriers to efficient operations. Operational constraints, such as internal conflicts, coordination challenges, and insufficient technical guidance, disrupt group farming initiatives and delay progress. Economic challenges, including high operational costs, limited access to large-scale loans, and delayed financial returns, strain the financial viability of FPOs. Additionally, market constraints like poor collective branding, weak market linkages, and high transportation costs reduce the competitiveness of FPOs in broader markets. Addressing these constraints through targeted interventions and support systems is essential for enabling FPOs to fulfill their potential as drivers of agricultural transformation and sustainable rural development.

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