P-ISSN: 2618-0723
E-ISSN: 2618-0731

NAAS Rating (2025): 5.04
www.extensionjournal.com

International Journal of Agriculture Extension and Social Development

Volume 8; Issue 10; October 2025; Page No. 643-647

Received: 27-08-2025
Accepted: 29-09-2025

Indexed Journal
Peer Reviewed Journal

Assessing administrative constraints faced by Farmer Producer Organizations (FPOs) in Madhya Pradesh

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DOI: https://www.doi.org/10.33545/26180723.2025.v8.i10i.2602

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Abstract

The foundation of the Indian economy is agriculture, which is dominated by small and marginal farmers who deal with issues like low productivity, inefficient markets, and restricted access to resources. Farmer Producer Organisations (FPOs) are an institutional structure that has emerged to increase market integration, input procurement, value addition, and collective strength. The administrative difficulties faced by FPOs in Madhya Pradesh, a state that leads in agricultural production and FPO promotion, are investigated in this paper. Data were gathered from 15 FPOs using a multi-stage purposive sampling technique, a pre-tested interview schedule, and secondary sources such as company records, SFAC, and NABARD. Lack of semi-skilled labour, insufficient assistance from the federal and state governments, a shortage of technical personnel, a lack of training and extension services, and the Board of Directors' poor managerial skills are the main administrative obstacles, according to the findings. The efficacy of FPO is further hampered by internal issues including insufficient shareholder collaboration and inadequate farmer mobilisation. Access to credit and the collecting of share capital are still secondary but important financial concerns. In order to increase the durability of FPOs and boost rural economies, the results emphasise the necessity of more robust institutional support, capacity building, and expert management.

Keywords: Farmer Producer Organizations (FPOs), administrative challenges, Madhya Pradesh, agribusiness, institutional support, capacity building, rural development

Introduction

Agriculture remains a fundamental part of India's economy, playing a crucial role in rural livelihoods and national food security. Nevertheless, the sector is primarily composed of small and marginal farmers, representing almost 85% of all farm holdings and managing less than 2 hectares of land (Badatya *et al*., 2018) [1]. Dispersed land ownership, reduced productivity, and poor market connections have led to lower profitability and heightened exposure to market risks for these farmers. The prevalence of intermediaries in agricultural marketing frequently results in lower price returns for producers, thus sustaining cycles of rural poverty and debt (Mudholkar & Gill, 2019) [3].

To address these challenges, Farmer Producer Organizations (FPOs) have developed as a collective structure to improve farmers' access to markets, financing, technology, and extension services. The formal introduction of producer companies occurred through amendments to the Companies Act in 2002, following the suggestions of the Y. K. Alagh Committee (Govil *et al*., 2020) [4]. FPOs operate as enterprises owned by their members, which help in consolidating agricultural products, sourcing quality inputs, enhancing value, and engaging directly with markets, thereby boosting farmers' negotiating strength and earnings (Verma, 2020) [5]. Government programs like NABARD's PRODUCE Fund and the Central Sector Scheme aimed at establishing and supporting 10,000 FPOs have bolstered the FPO movement throughout India (Kumar *et al*., 2021) [6].

Madhya Pradesh has become a prominent state in promoting FPOs, utilizing its robust agricultural production foundation and institutional backing. The state has been honored with the Krishi Karman Award several times for its achievements in food grain production, especially in wheat and soybean (Gulati *et al*., 2017) [7]. Despite this advancement, many FPOs in the state encounter operational difficulties, such as insufficient infrastructure, restricted working capital, absence of professional management, fragile supply chain connections, and low member engagement (Verma, 2020) [5].

Literature review

Millins (2006) [2] has found that Farmer and rural communities need time and technical assistance for mobilizing the resources in order to respond to the pressure of competitive market. Trained organizers are needed for encouraging producers and rural communities to develop group decision making and self-reliance skills. In European countries reform process in agriculture focused on liberalization of prices and market, the privatization of land, the demonopolization and privatization of food processing, trade in agricultural produce and capital goods, trade in agricultural produce and capital goods, the creation of functioning rural banking system and the establishment of an institutional system.

Kathiravan *et al.* (2017) [8] conducted a study to identify the constraints perceived by the farmer producer organizations to augment its role and function. The study was conducted among four existing FPOs with 45 respondents in Namakkal district of Tamil Nadu. Study found that farmers do not have access to direct market and are selling their produce to the intermediaries and because of intermediaries their profit margin is reduced and their farming business becomes a non-viable one and lack of co-ordination for different group activities and the non – availability of literature on FPO activities was ranked last with an average mean score by the respondents. Author suggested that improvement in the status of the farmer is possible only through diversification and commercialization of their agricultural activities and producer's companies can help small holder farmers participate in emerging high- value markets, such as the export market and the unfolding modern retail sector in India.

Thomas and George (2018) [9] studied the role of value addition in farmer producer organisations. The objectives of the study were to identify the benefit and constraints faced by FPOs. The quantitative research method was used, as well as literature-based research surveys and telephonic interviews were used to gather information. The study found that value addition was the way for FPOs to improve profit, but most of them were unable to do so due to constraints such as a lack of funds, trained people, and technical obstacles. Study also put forward that FPOs should improve their ability to raise funds from banks, government agencies, development organisations, and farmer and producer shareholders along with that it would be advantageous if FPOs had technically qualified personnel with managerial skill and experience in their board of directors and senior management, or if the producer organization promoting institutions supplied such resources in conducting value addition project initiatives. Author suggested that International Centre for Technological Innovations (ICTI) can assist FPOs in establishing units for food processing and value addition providing assistance in technology sourcing, workforce development and fundraising.

Chopade *et al.* (2019) [10] investigated the constraints faced by members of Farmer Producer Company in Osmanabad district, randomly selected from Marathwada region of Maharashtra state during the year 2018-2019.The study highlighted that majority (72.86%) of respondents reported that non- inclusion of local leaders in FPC's was the major constraint faced by FPC's members. The study also found that the basic purpose envisioned for the FPOs is to collectiv*ize* small farmers for backward linkage for inputs like seeds, fertilizers, credit, insurance, knowledge and extension services; and forward linkages such as collective marketing, processing, and market-led agriculture production. Author concluded that majority (67.14%) per cent of the respondents were suggested that wide publicity should be given to the concept of FPC's for increasing awareness amongst the farmers.

Vignesh *et al.* (2019) [11] conducted their research in the Pennagaram block of the Dharmapuri District of Tamil Nadu, involving 60 farmers and three retailers. A pretested well-structured interview schedule was used to collect the data through personal interviews. The perceptions of farmers regarding Farmer Producer Organizations were identified through the use of factor analysis. We used the Kaiser-Mayer-Olkin measure of sampling adequacy to determine a new factor, and the Varimax normalized rotation method to determine a new factor. For each of the variables with a commonality greater than 0.60, the mean scores were estimated. We identified the most important services based on the attributes with the highest mean values. Training was provided to FPO farmers to disseminate price-related information, resulting in an 88 Garette's Mean Score. Farmers were provided with price-related information and trained on value addition and other farming-related topics by the FPO.

Solaman *et al.* (2020) [12] has examined the problems and constraints faced by Farmer Producer Company (FPC) in India. The company was focused in the sale of poultry inputs like medicines, vaccines, feeds and equipment's as well as it was also dealing with supply of high yielding and disease resistant BV380 chicks. The company is supported by(NABARD) and Kerala Agricultural University (KAU). The study found that the problems were studied under four heads *viz*; administrative problems, functional problems, structural problems and human resource related problems. The author elaborated those administrative problems were related to board meeting, general body meeting and audit along with that the functional problems were sub divided into problems in board, input supply, procurement, processing, marketing and other related problems. Study also highlighted those structural problems faced by farmers were unethical and poor management practices, absence of regular performance appraisal of employees and bureaucracy in administration. Study concluded that the company obtained an overall index of 29 percent fall under the category of tolerable.

Gurung and Choubey (2021) [13] studied that farmers in Sikkim, face a number of challenges such as lack of marketing outlets, storage, a weak transportation network, small scale operations, middleman exploitation, and competition from non-organic items among them the most serious constraint faced by organic farmers is a lack of reliable marketing channels followed by reduced yield, high incidence of pests and diseases, unfair competition from non-organic food, exploitation by middlemen, high transportation costs, lack of knowledge about bio-inputs and technology, and a lack of storage and processing facilities.

The majority of Sikkim's farmers are small and lack individual volume (both inputs and outputs). It has been observed that group-based organic farmers utilise government facilities and other resources more effectively than individual organic farmers which in turn result in increase in mean per capita income which shows that organic farmers can be benefitted more if they organise themselves into groups. The strength of FPOs lay in the collective action of farmers which results in economies of scale and increased bargaining power with the farmers. FPOs have the ability to directly connect these small hill farmers of Sikkim to the high-value markets of the metropolitan cities provided the farmers supply quality output. FPOs through fair and transparent transaction with bulk buyers can provide assured markets and best price for the organic produce. FPOs can deal with contracting companies for selling organic produce to secure best possible prices. Collateral-free credit to farmer organisations would encourage them to conduct business, earn profit and then eventually become self-sustaining organisations.

Verma *et al.* (2021) [14] conducted a study to investigate the constraints perceived by the members and non-members towards functioning of FPOs. A total of 20 members and 40 non-member farmers were randomly sampled in the functional area of FPO-AKPCL to delineate the constraints faced by them. The results revealed that inadequate storage facilities, shortage of transportation facilities, lack of grading and packaging skills, revelry among members to achieve key positions in the organization, and challenging each other for key positions in the group were the significant constraints faced by the member farmers. Author also highlighted that lack of well-developed storage facilities, lack of well-developed processing facilities, lack of awareness about grading and packaging, high cost of labour, and price fluctuation every year were the major constraints faced by the member as well as non-member farmers of FPO. Study concluded that FPOs provide perfect option for increasing income of farmers and make them able to driving benefits from it. Author suggested that there is need of upgradation of farmers skills to manage technical constraints.

Chauhan *et al.* (2021) [15] identified the constraints associated with the functioning of Farmers’ Producers Organisation (FPO) to run this organisation smoothly by developing some coping strategies. The present study was conducted in Cooch Behar I, Cooch Behar-II, Dinhata-I, Dinhata-II, Tufanganj-I, Tufanganj-II blocks of Cooch Behar district in West Bengal. Study found that the constraints were categorised into four parts i.e., technical, labour and economic, marketing and organisational constraints. Author put forth that undeveloped storage facilities, lack of labour available during harvesting, fluctuation of price in every year and lack of proper infrastructure were the problems faced by FPOs in its formulation. The study found that all these sectors need a proper strategy and interventions as well as policymakers are required to take initiative for the solution. Author has suggested that to overcome these challenges there are potential alternative is mobilizing farmers for group action through developing farmer’s organizations which are the integral component of delivery system to take collective decisions for income enhancement through agricultural development at the local level.

Katiki *et al.* (2021) [16] identified the constraints and suggestions faced by members of Tribal Farmer Producer Groups (TFPGs) of Seethampeta block of Srikakulam in Andhra Pradesh. The study found that lack of adequate staff and marketing skills were the major constraints faced by the FPGs members. The author suggested that to mitigate these issues there is a need to hire trained professionals and more experienced staff to improve functioning of FPGs. The study further recommended that training without any bias to the FPGs members is must for the growth of FPGs and to provide some credit to improve the market share of producer.

Materials and Methods

For the study, the multi-stage purposive sampling technique was employed. The study made use of both primary and secondary data. A pre-tested interview schedule was used to gather primary data which has been collected from 15 FPOs. Information was gathered from the FPO administration. The Small Farmers Agribusiness Consortium, National Bank for Agriculture & Rural Development, Madhya Bharat Consortium of Farmer Producer Company Limited, the National Association of Farmer Producer Organization's annual report, and other business reports that they submitted were the sources of the secondary data.

As of March 31, 2023, 24,183 Farmer Producer Companies are registered, according to the Ministry of Corporate Affairs. Of these, 23,354 are "Active." However, according to the most recent information posted on the SFAC website, the organisation has been promoting 2014 FPOs through April 27, 2023. According to the study, this scheme had 205 FPOs registered. Madhya Pradesh has about 6% of the FPOs registered there. Madhya Pradesh had 237 FPOs registered as corporations as of 2020. With the help of the World Bank and M.P.'s State Rural Livelihood Mission, Madhya Pradesh was the first state to implement the changes made to the Producer Company Act in 2005–2006 as part of the Madhya Pradesh District Poverty Initiative Program. Tagat *et al.* (2016) [17]; Sharma, 2022 [18].

Results and Discussion

S. No	Administrative Challenges	Mean
1	Lack of semi-skilled labor.	2.60
2	Lack of support from Central Government	2.35
3	Lack of Support from State Government or district Authorities	2.00
4	Lack of Technical Manpower	1.85
5	Lack of Skill set of Board of Directors	1.85
6	Lack of Training and Extension Services	1.75
7	Lack of Cooperation from shareholders	1.65
8	Mobilisation of Farmer	1.55
9	Lack of Credit availability	1.45
10	Membership Fee or Share Money Collection	1.40
11	Salaries of CEO and other Staff is too Low	1.35

Based on their mean scores, which indicate the seriousness of each problem, the table lists the CEO's top administrative challenges. Since skilled workers are necessary for tasks like record keeping, procurement, and documentation, the most significant issue found is the lack of semi-skilled labour (mean = 2.60), which impedes the efficient operation of FPO operations. The migration of young people from rural to urban areas and the scarcity of skilled labour in rural areas are frequently blamed for this shortage. Significant challenges are also presented by the absence of backing from the State Government or district authorities (mean = 2.00) and the Central Government (mean = 2.35).

The table highlights the major administrative challenges faced by Farmer Producer Organizations (FPOs) based on their mean scores, reflecting the severity of each issue. The most serious challenge identified is the lack of semi-skilled labour (mean = 2.60), which hampers the smooth functioning of FPO operations, as skilled workers are essential for tasks such as record keeping, procurement, and documentation. This shortage is often attributed to the migration of rural youth to urban areas and the limited availability of skilled manpower in rural regions. The lack of support from the Central Government (mean = 2.35) and State Government or district authorities (mean = 2.00) also poses significant obstacles. Respondents stated that bureaucratic delays, ignorance, and inadequate direction from government agencies made it difficult to access the various programs available for promoting FPOs.

The managerial and technical capacities of FPOs are further weakened by the Board of Directors' insufficient skill sets (mean = 1.85) and the lack of technical personnel (mean = 1.85). Financial constraints prevent the majority of FPOs from hiring qualified professionals, and their governing bodies frequently lack knowledge of legal compliance, financial planning, and business management. Likewise, the capacity-building of FPO stakeholders is limited by the absence of extension services and training (mean = 1.75). It is challenging for FPOs to compete in dynamic markets if they are not sufficiently exposed to value addition, market linkage tactics, and modern agricultural practices.

Another important issue that surfaced was internal organisational challenges. The issues of low member participation, mistrust, and farmers' limited understanding of the advantages of collective action are reflected in the lack of cooperation from shareholders (mean = 1.65) and the challenges in organising farmers (mean = 1.55). Although to a relatively lesser degree, financial constraints were also mentioned. The financial stability and growth potential of FPOs are still constrained by the lack of credit availability (mean = 1.45) and problems with membership fee or share capital collection (mean = 1.40). Despite being ranked as the least serious issue, low CEO and staff salaries (mean = 1.35) still have an impact on hiring and retaining qualified employees, which in turn affects FPOs' organisational effectiveness. Overall, the findings point to institutional support and human resource development as more significant obstacles for FPOs than financial constraints. Stronger member participation, professional management, better training programs, and increased government support are all necessary to address these problems and guarantee the long-term viability of FPOs.

Suggestions

The table's results unequivocally show that a number of administrative obstacles impede the expansion and operational effectiveness of Farmer Producer Organisations (FPOs). First and foremost, there is an urgent need to address the lack of technically trained and semi-skilled labour. The administrative and operational capabilities of FPOs can be greatly enhanced by regularly planning capacity-building and skill-development programs for their CEOs, employees, and members. Practical subjects like bookkeeping, supply chain management, value addition, business planning, and marketing tactics ought to be the main emphasis of these programs. These initiatives can be made more successful with assistance from organisations like NABARD, SFAC, Krishi Vigyan Kendras (KVKs), and agricultural universities. To create labour that meets FPO needs, skill development programs like DDUGKY and Skill India should be combined.

The findings also point to a significant obstacle: the Central and State Governments' insufficient assistance. Therefore, by streamlining processes, cutting down on bureaucratic red tape, and raising awareness of FPO schemes, policy implementation must be made more approachable and farmer-friendly. Establishing district-level FPO support centres can offer ongoing assistance with paperwork, registrations, compliance, business planning, and credit and subsidy access. Procedural restrictions would be further reduced with improved coordination between government departments and nodal agencies.

Another issue is managerial inefficiency brought on by the Board of Directors' limited skill set. Board members should receive specialised training in leadership, governance, financial management, and decision-making to improve their capacity to effectively lead the company. Visits to prosperous FPOs and agribusiness companies can provide hands-on learning opportunities. Additionally, enhancing member engagement, maintaining transparency, and fostering trust through frequent meetings and participatory decision-making can help address internal issues like low shareholder cooperation and trouble organising farmers. To promote farmer participation, awareness campaigns must emphasise the advantages of group effort.

Significant obstacles are also presented by financial limitations, especially the inability to obtain credit and the challenges in coordinating member contributions. In order to investigate flexible loan products tailored for agricultural collectives, FPOs ought to establish connections with banks, microfinance organisations, and cooperative credit societies. Enhancing financial discipline and guaranteeing sustainable growth can be achieved through training in business planning and financial literacy. Offering incentives or implementing phased payment options can assist in resolving issues with membership fee collection. Last but not least, implementing profit-sharing plans, performance-based incentives, or assistance through CSR collaborations can all help address the problem of low CEO and employee salaries. A cluster-based shared staffing model can be used in areas with several FPOs to cut expenses without sacrificing professionalism.

All things considered, the difficulties that FPOs encounter necessitate a coordinated and cooperative strategy involving governmental organisations, financial institutions, non-governmental organisations, and partners in the private sector. FPOs can become robust farmer-owned business enterprises that can propel rural economic development by concentrating on capacity building, institutional strengthening, financial support, and increased member participation.

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