



Ministry of Agriculture & Farmers Welfare, Government of India

Sustainable Agriculture Development in India through Aggregation of Smallholder Farmers

Ms. Neelkamal Darbari, IAS
Managing Director, SFAC



Small Farmers' Agri-Business Consortium

"Society promoted by Department of Agriculture and Farmers' Welfare,
Ministry of Agriculture and Farmers' Welfare, Government of India"

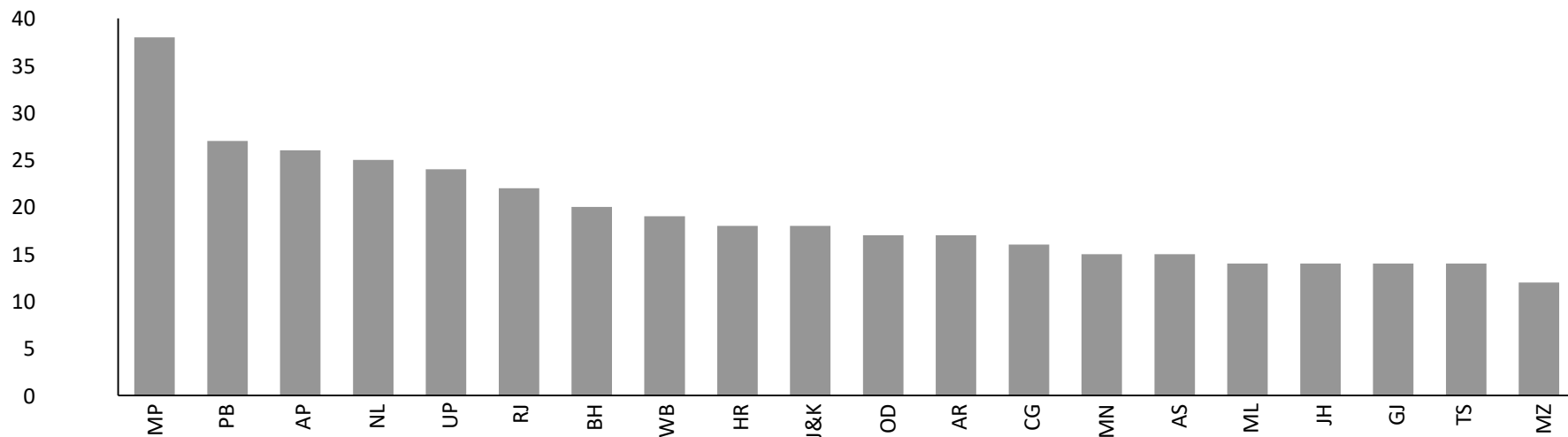
ORIGINATION & PROFILE OF SFAC

- SFAC is an Autonomous Society promoted by Ministry of Agriculture & Farmers' Welfare, Government of India. It was registered under Societies Registration Act XXI of 1860 on 18th January, 1994
- SFAC is the nodal agency for the Central Sector Scheme "Formation and Promotion of 10,000 Farmer Producer Organizations"
- SFAC is implementing the Central Sector Schemes of Government of India namely Venture Capital Assistance, Equity Grant & Credit Guarantee Fund Schemes for economic inclusion of small and marginal farmers in agribusiness activities
- SFAC is promoting formation and development of Farmer Producer Organisations (FPOs) and making small and marginal farmers sustainable for long run in the country since 2011-12, being a pioneer
- SFAC is implementing e-National Agriculture Market (eNAM), a pan-India electronic trading portal to create a national market platform for trading of agriculture commodities since 14th April, 2016
- SFAC is acting as Fund Manager of Price Stabilisation Fund (PSF) account under the Ministry of Consumer Affairs
- SFAC is implementing Delhi Kisan Mandi program with an objective of bridging gaps between Buyers and Sellers

Agriculture is the primary source of livelihood in India

Agriculture's contribution to GDP²

% share of agriculture in top 20 states (2019-20)*



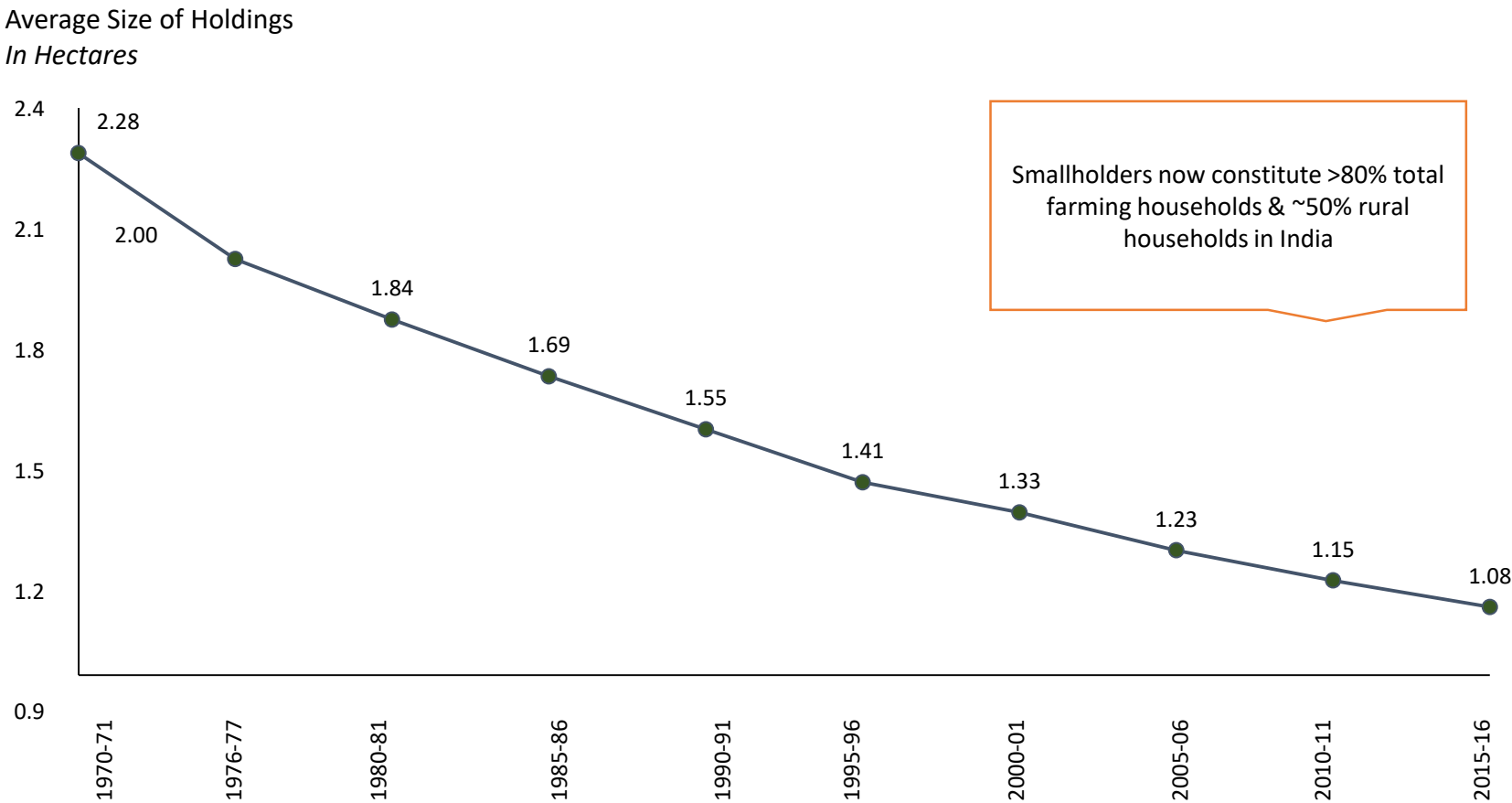
- Agricultural Workers (Cultivators and Agricultural Laborers) constitute 55% of total workforce¹
- Agriculture and allied sectors contributes to **17.8%** of the country's Gross Value Added (GVA)²
- India is the largest producer (25% of global production), consumer (27% of world consumption) and importer (14%) of pulses in the world.
- India is the second-largest producer of rice, wheat, sugarcane, cotton and groundnuts, as well as the second-largest fruit and vegetable producer, accounting for 10.9% and 8.6% of the world fruit and vegetable production, respectively.

* At current prices

1. Population Census 2011; 2,7. Central Statistics Office, Agriculture at a Glance, (2018); 4,5. NABARD, All India Rural Financial Inclusion Survey 2016-17 (2018); 6. World Bank national accounts data (2019);

Future of sustainable agriculture growth depends on performance of small and marginal farmers

AVERAGE SIZE OF LANDHOLDINGS



Source: Department of Agriculture and Cooperation; Agricultural Census Division; FAO; Ministry of Agriculture; Occupied Data from IFPRI Report

Challenges faced by Smallholder Farmers

SMALLHOLDERS FACE MANY CHALLENGES IN SUSTAINABLY INCREASING INCOME

▪ Access to credit

- Only ~14% of marginal and ~27% of small holdings able to get credit from institutional sources vs. 33% of medium and 29% of large farmers
- Higher levels of indebtedness to informal lenders

▪ Access to markets and information

- Low volumes and difficulties in transporting their produce leads to dependence on middlemen

▪ Low level of formal education and skills

- Education and skills are important for improving farming practices, investment and productivity
- Literacy and mean years of education lower for small holding farmers vs. medium and large farmers

▪ Greater vulnerability to risks

- E.g. Health shocks, harvest risks, natural disasters

▪ Diversification challenges

- Risks to diversification (milk, meat, veg., fruit) as the support systems are more established for food grains

Government is focusing on sustainable smallholder models

CO-OPERATIVEs RECEIVING SUPPORT

- Cooperative farming is a method wherein **farmers pool their resources for mutual benefit**
 - Supply cooperatives: Provide critical agricultural inputs like seeds, fertilizers, pesticides and farm machinery
 - Marketing cooperatives: Handle harvesting, packing, distribution, sales and marketing of farm produce, livestock and related products
 - Credit cooperatives: Take care of the working capital and investment requirements of the farmers
- However, **despite cooperatives rapid growth and progress, irregularities** in the model led to their slow progress and poor performance over the years

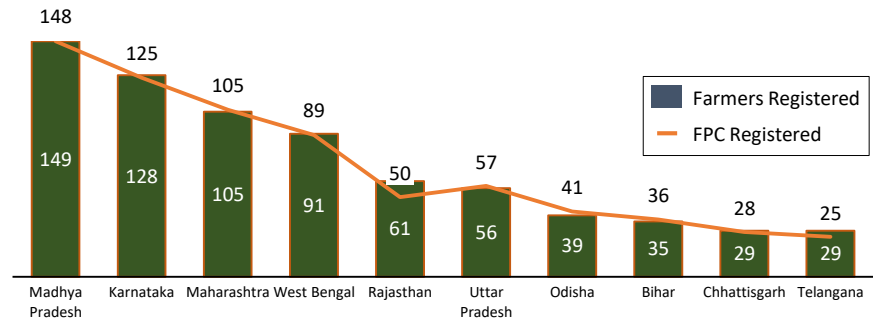
“...In the view of this Committee, a minimum of 7,000 number of FPOs & VPOs should be targeted by 2022-23 and double that target number in the six years thereafter. This will be important to address the structural weakness of small and marginal farm holdings.”

Doubling Farmers' Income Vol. XIII

GOVERNMENT ACTIVELY PROMOTING FPOs

- **2002** amendment to Companies Act enabled **incorporation of cooperatives as companies** and created a new legal form, **Farmer Producer Company (FPC)**
- FPCs were originally developed to establish a **formal channel for agricultural extension and increasing farmer livelihoods**

FPC Growth and Expansion
Till 2018; In #: FPCs; '000: # of Farmers



Concept of Development of FPOs

Farmer Producer Organisations are typically defined as “membership-based organisations or federations of organisations with elected leaders accountable to their constituents” with an objective to develop and deploy the aggregation mechanism of farmers, wherein farmers/producers with common interest agree to pool their resources together to form a group, jointly deal with various issues of farming; be it credit, input sourcing, deployment of farm technology and good agricultural practices, post-harvest handling or onward sale of agricultural produce””

Strategy Paper for promotion of 10,000 Farmer Producer Organisations (FPOs)

ADVANTAGES OF FPOS

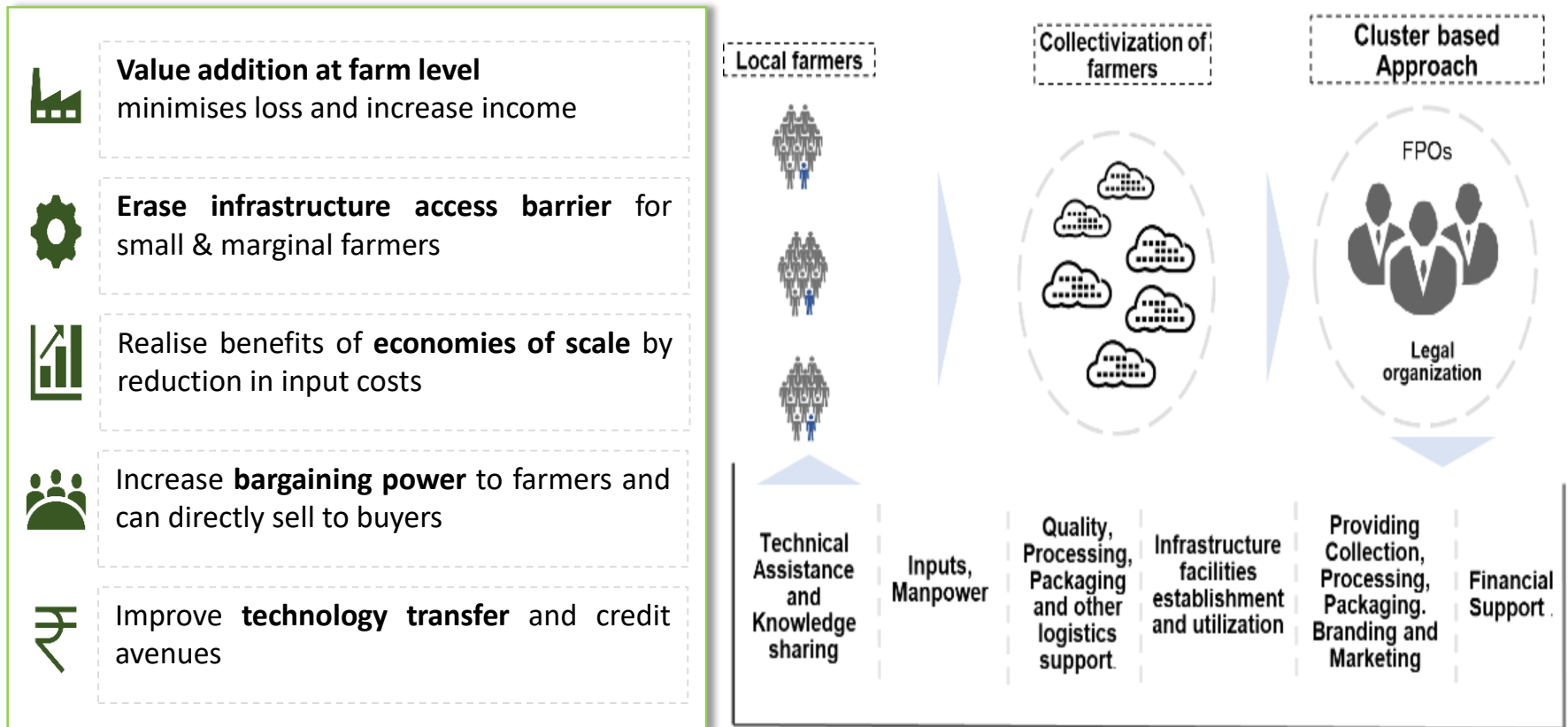
- Reduction in cost of production or cultivation
- Aggregation of produce and bulk transport
- Building scale through aggregation of commodities
- Access to modern technology, extension services
- Reduction in Post-harvest losses
- Managing adverse price fluctuations and avoidance of distress sale
- Reduction in information asymmetries
- Access to institutional credit
- Movement up the value chain
- Greater bargaining power to farmers

IMPACT OF FPOS

- FPOs are successfully reducing their procurement cost of inputs for farmers
- Savings are made in production and cultivation costs through custom hiring centres
- FPOs are enabling higher value of accruals to farmers through common facilities for primary and secondary processing and direct sale
- Directly negotiate with and sell to large buyers and retailers
- Hedge against possible commodity price falls during harvest on the NCDEX platform
- FPOs are able to reach out to large number of buyers competitively through e-NAM

The Department of Agriculture, Cooperation & Farmers' Welfare, Ministry of Agriculture & Farmers' Welfare, Govt. of India has identified Farmer Producer Organisations registered under the special provisions of the Companies Act, 1956 as the most appropriate institutional form around which to mobilise farmers and build their capacity to collectively leverage their production and marketing strengths.

How FPOs are poised to become a 'Game changer'?



FPOs facilitate in transferring benefits to its member farmers and thus also enable in achieving the aim of doubling farmers' income

The Foremost Intervention to Support FPOs' Formation and Promotion..

Launched by the Hon'ble Prime Minister of India - Central Sector Scheme **"Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)"** in February, 2020

- SFAC is the nodal agency for the scheme
- 13 Implementing Agencies (IAs) including SFAC
- Priority to Aspirational Districts by forming at least one FPO in every block
- Synchronize with **"One District One Product"**
- Financial, technical, training and capacity building support

The minimum farmer-members size in FPO



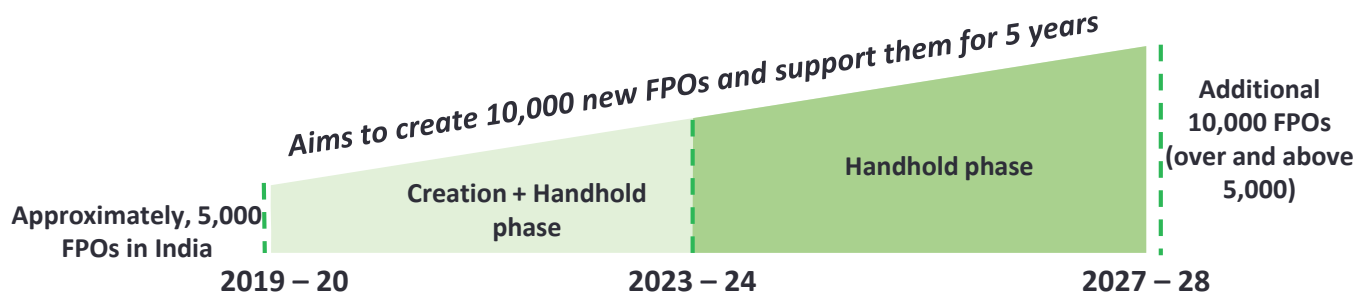
Plains Region

300

Hilly, North Eastern,
UT& Islands



100



Support to FPOs

- Provision of FPO Management Cost of Rs. 18 lakh/FPO for 3 years
- Provision of Equity Grant of Rs. 2000/- per farmer to the ceiling of Rs.15 lakh/FPO on submission of member's own equity
- Provision of Credit Guarantee up to project loan of Rs.2.00 Crore per FPO (NABARD/NCDC)

Scheme Progress

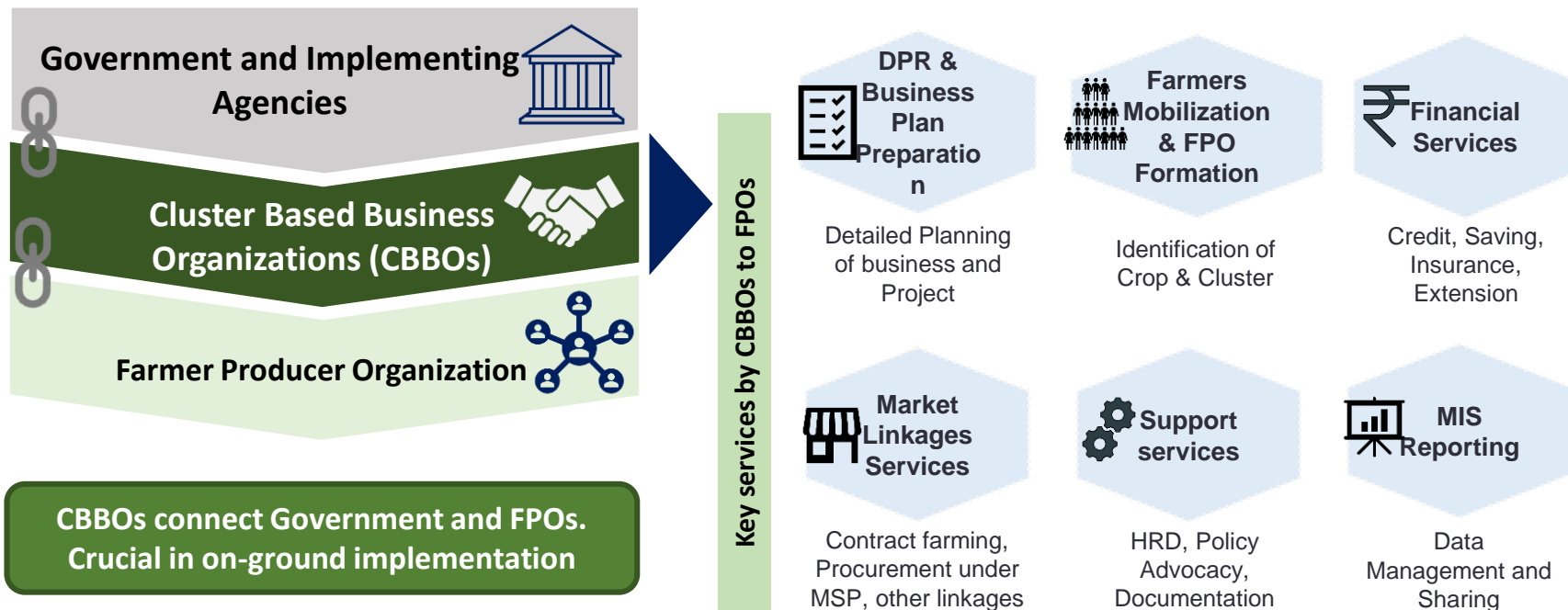
Total No. of FPOs Registered

2,349

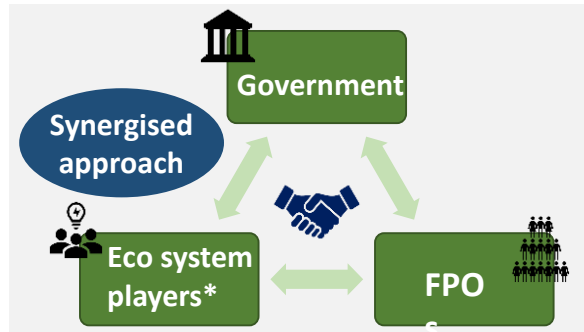
Total No. of Farmers Mobilised

5,65,830

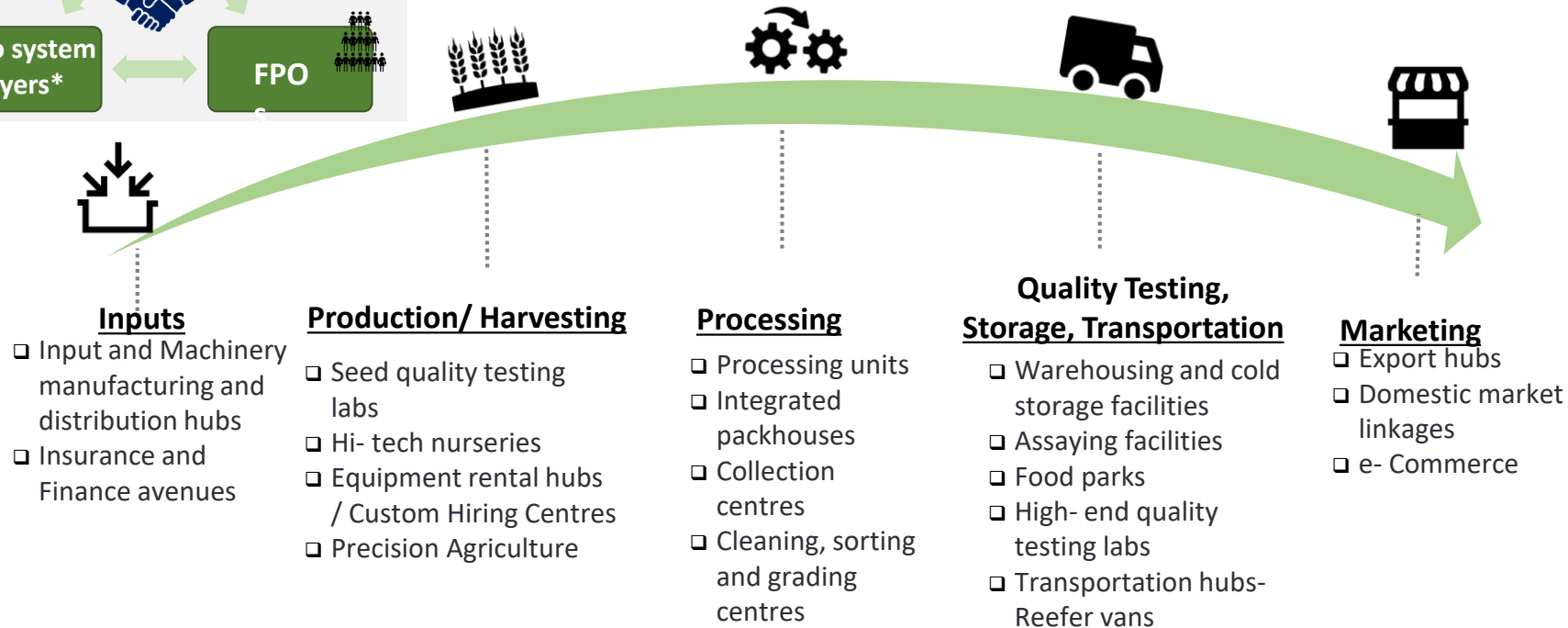
CBBOs to Play Pivotal Role in Implementation of Scheme



Bringing Ecosystem Players and FPOs to Strengthen Value Chain




*including
Agritech/
startups





Leveraging FPOs

e-National Agriculture Market

 Unified National Market

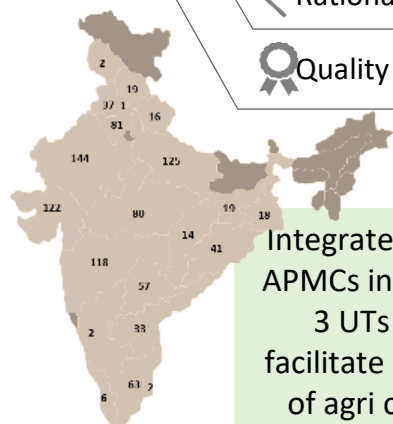
 Real time Information Sharing

 End-to-end solution

 Inter-mandi / Inter-state Trade

 Rationalize Transaction Costs

 Quality Assaying



Integrated across 1000 APMCs in 18 States and 3 UTs in India to facilitate online trading of agri commodities

Registered 2009 FPOs on eNAM portal

APEDA- FARMER CONNECT

Identify clusters and products based on the **export potential**, under Programme for Agro food cluster for export promotion

APEDA developed a platform for FPOs/FPCs, Cooperatives to connect with exporters

Registrations on portal (as on March 2021)



2360 FPO/FPCs

2324 Exporters



29 Clusters
12 Products

67 Districts
11 States



More details at <https://www.enam.gov.in/web/>
<https://farmerconnect.apeda.gov.in/Home/FCIndex>

X

Sources: e-NAM- SFAC, DA&FW, APEDA

Leveraging FPOs

Agriculture Infrastructure Fund

Financing facility of INR 1,00,000 Cr for infrastructure development at farm-gate and aggregation points

Eligible Lending Institutions

- ✓ Scheduled Commercial Banks.
- ✓ Scheduled Cooperative Banks
- ✓ Regional Rural Banks (RRB)
- ✓ Small Finance Banks
- ✓ Non-Banking Financial Companies
- ✓ National Cooperative Development Corporation (NCDC)
- ✓ DCCBs with PACS affiliation



Beneficiaries

Farmers, FPOs, SHGs, Marketing/ Multipurpose Cooperative Societies, Federations, PACS, JLG APMCs, Central/ State/ local body sponsored PPP Projects



Agripreneurs, Start-Ups



Eligible Projects

- Post-Harvest Management Projects
- Viable projects for building community facilities
- Projects on hub and spoke model



Sources: DA&FW, MOFPI, Invest India

One District One Product (ODOP)

Cluster approach to select, brand, and promote One Product from each District, realizing its true potential

Operationally merged with the 'Districts as Export Hub' initiative implemented by DGFT and DPIIT*

Ministry of Food Processing Industries under PMFME Scheme

137 products
707 districts
35 States/UTs



Department of Commerce

106 products
103 districts
27 States

Note: Identified as of January 2021



*DGFT- Director-General of Foreign Trade;

DPIIT- Department for Promotion of Industry and Internal Trade

More details at <https://agriinfra.dac.gov.in/Home/>

Leveraging FPOs

Production Linked Incentive Scheme for Food Processing Industry (PLISFPI)

-  **Tenure** ✓ 6 years (2021-22 to 2026-27)
-  **Outlay** ✓ INR 10,900 Crores



Applicant categories

Category 1	Category 2	Category 3
Incentives on Sales & Investments for large entities	Incentives on Innovative/organic Products to SMEs based on sales	Incentives for Branding & Marketing abroad

Major Food Product Segments

- | | | |
|--------------------------------|------------------------------------|----------------------|
| 1. Ready to Cook/ Ready to Eat | 2. Processed Fruits and Vegetables | 3. Marine Products |
| | | 4. Mozzarella Cheese |

Source: MOFPI

Pradhan Mantri Kisan SAMPADA Yojana

Comprehensive package of schemes to support for Creation/ expansion of modern agri infrastructure

Approved projects as on July 2021

- ✓ 41 Mega food Parks
- ✓ 353 Cold Chain projects
- ✓ 63 Agro Processing Clusters
- ✓ 292 Food Processing Units



- 1 Mega Food Parks
- 2 Integrated Cold Chain and Value Addition Infrastructure
- 3 Creation/ Expansion of Food Processing / Preservation Capacities
- 4 Infrastructure for Agro-processing Clusters
- 5 Creation of Backward and Forward Linkages
- 6 Food Safety and Quality Assurance Infrastructure
- 7 Human Resources and Institutions
- 8 Operation Greens

Leveraging FPOs

Scheme for formalisation of Micro Food Enterprises

To provide financial, technical & business support for upgradation of micro food processing enterprises

- 1 One District One Product
- 2 Upgradation of Individual Micro Food Processing Units
- 3 Support to FPOs/ SHGs/ Producer Co-operatives
- 4 Seed Capital To SHG
- 5 Support to develop common infrastructure
- 6 Marketing and Branding support
- 7 Capacity Building & Training

- ✓ **54 Common Incubation Centres** approved in 17 States/UTs
- ✓ MoUs signed with **NAFED & TRIFED** for marketing and branding for **10 products**
- ✓ **INR 25.25 Cr.** Seed Capital is disbursed to State Rural Livelihood Mission

TOP to TOTAL

Operation Greens Scheme is extended from Tomato, Onion and Potato (TOP) to all fruits & vegetables (TOTAL)

Short term Interventions

Transportation and storage subsidy @ 50%

Long term Interventions

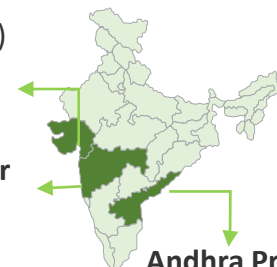
Grant-in-aid @ 35% to 70% for value projects in production clusters

Approved 6 projects targeting **31 FPOs** in 6 production clusters

Gujarat

Tomato (1)
Onion (1)
Potato (1)

Maharashtra
a Onion (2)



Andhra Pradesh
Tomato (1)

For more details:

<https://pmfme.mofpi.gov.in/pmfme/#>

An aerial photograph showing a person in a light blue shirt and a white cap with a blue stripe, holding a smartphone. To their right is a white quadcopter drone with blue accents and propellers. They are in a field of tall green grass and some dry patches. The text "Thank You!" is overlaid in large white font at the bottom.

Thank You!