



Popular Article

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Strengthening Cooperative through Farmer Producer Organizations (FPOs)

Bhashkar Sahu¹ and Harsha Sahu²

State Coordinator Synergy Crop Science CBBO Raipur¹, Research Scholar²

Department of Agri Business and Rural Management IGKV Raipur (C.G.)

E-mail:- sahubhaskar99@gmail.com

Corresponding Address-542, Saptgiri Sai Colony Krishak Nagar Jora Raipur, 492012 (C.G.)

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In a landmark institutional reform, the Ministry of Cooperation was created by the Government of India to provide a dedicated administrative, legal and policy framework for strengthening the cooperative movement across the country. The initiative aims to streamline governance, improve transparency and promote Multi State Cooperative Societies as engines of inclusive growth. This step gained further significance when the National Cooperative Development Corporation (NCDC), long regarded as a key patron of cooperatives, was designated as one of the implementing agencies under the Central Sector Scheme for Formation and Promotion of 10,000 FPOs.

Under this ambitious scheme, Farmer Producer Organizations (FPOs) are being promoted across the country, with many structured in cooperative form to mobilize small and marginal farmers into organized, market-oriented institutions. By aggregating produce, strengthening input procurement, enabling credit linkages, and facilitating backward and forward market integration, FPOs are envisioned as vehicles for enhancing farmers' bargaining power and income levels.

Cooperatives: Legacy and Lessons

The cooperative movement in India has deep historical roots. Conceived as autonomous associations of persons united voluntarily to meet common economic, social and cultural needs, cooperatives played a transformative role in rural development. The Green Revolution and the White Revolution stand as landmark achievements of cooperative-led collective action, particularly in agriculture and dairy. Today, India has approximately 8.54 lakh cooperatives with nearly 29 crore members, reflecting the scale of this movement.

Agricultural cooperatives historically contributed to post-harvest management, storage, processing, marketing and input supply. Dairy cooperatives in the 1970s and 1980s became exemplary models of farmer empowerment and professional management. However, over time, many cooperatives faced setbacks due to political interference, governance challenges and internal conflicts. In several regions, excessive politicization eroded member confidence, distancing small and marginal farmers from institutions originally created to serve them.

Despite these challenges, cooperatives in sectors such as housing and dairy continue to perform well where governance structures remain robust and professional. Attempts to revive cooperatives over the past two decades have encountered competition from emerging grassroots institutions such as Self-Help Groups (SHGs), Joint Liability Groups (JLGs) and Microfinance Institutions (MFIs).

FPOs: A New Institutional Alternative

In this evolving landscape, FPOs have emerged as a promising institutional alternative capable of filling the space vacated by weakened cooperatives. Particularly during periods of agrarian distress and policy uncertainty, including the recent farm law debates, FPOs have been viewed as instruments of hope for smallholders. Collective action through FPOs can compensate for lack of scale, enhance market access, and strengthen engagement with public and private agencies.

Unlike traditional cooperatives, FPOs are largely market-centric in their orientation. They focus on value capture through aggregation, processing, branding and technology adoption. Their professional structure—often registered under the Companies Act—insulates them to some extent from routine political interference in day-to-day management.

Key Challenges for FPO Success

While the institutional design of FPOs is promising, their success depends on addressing several structural constraints:

1. **Scale and Turnover:** FPOs require a sufficiently large membership base and must aim for a turnover of at least ₹5 crore within the first 2–3 years to ensure sustainability and equitable profit distribution.
2. **Access to Capital:** Affordable credit remains a constraint. Under the Central Sector Scheme, implementing agencies provide credit guarantees up to ₹2 crore, yet timely and accessible financing is critical.
3. **Professional Management:** Effective governance demands skilled CEOs and accountants. The scheme provides management support of ₹18 lakh over three years,

but attracting and retaining qualified professionals within this budget remains challenging.

4. **Market Linkages:** Navigating India's complex agricultural markets requires strong institutional capacity. Digital and commodity platforms such as e-NAM and National Commodity and Derivatives Exchange (NCDEX) can play a supportive role in price discovery and market access.
5. **Brand Building and Compliance:** Establishing credible brands, meeting quality standards, and fulfilling regulatory obligations demand administrative efficiency and strategic planning.

The scheme also provides equity grants of ₹18 lakh over three years, which can strengthen capitalization during the incubation phase. However, financial assistance alone cannot substitute for sound governance, member participation and strategic market orientation.

Reforming Cooperative Governance

For cooperatives to regain relevance, governance reform is imperative. The office of the Registrar of Cooperatives must be made more transparent and less susceptible to political influence. At present, separate Cooperative Societies Acts in each state create procedural complexities and delays, with registration often dependent on discretionary authority at the district level.

A more streamlined and transparent framework—akin to company registration under the Companies Act, 2013—could reduce bureaucratic hurdles and enhance institutional credibility. Modernizing cooperative legislation, digitizing processes and strengthening accountability mechanisms are necessary to prevent institutional obsolescence.

The Way Forward

The promotion of FPOs under the Central Sector Scheme offers a significant opportunity to revitalize collective action in Indian agriculture. Farmers are already familiar with the cooperative ethos; what is required is administrative strengthening, professionalization and alignment with market-oriented objectives.

If effectively nurtured, FPOs—whether registered as producer companies or cooperative societies—can combine the social capital of the cooperative movement with the efficiency and professionalism of modern enterprises. In doing so, they may well herald a new chapter in India's journey toward inclusive and sustainable agricultural development.