

Small Farming- A Viable Business

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I. Overview

Technology is a buzzword in the new era of globalization in order to forge and explore a new business model through which a betterment would be established in the society. Subsequently, to promote the new business model the contribution of technology is more than anything to be depicted. Moreover, given the circumstance, a completely juvenile business model would be broached upon by the assistance with technology which would provide the livelihood and income opportunity and finally establish the social status for those who are deprived of their exact honor.

However, technology has been a pivotal mechanism to bring out a new business venture which is the Farmer Producer Organization (FPO). Moreover, with the support of technology, it has been perfectly possible to manage the new business model which allows to understand the target market and increase the efficiency of the business. In this particular essay, however, an attempt has been to explore farmer Producer Organization (FPO)'s business model, the effect of the technology in this contemporary age, and its social development as well.

Farmer Producer Organization (FPO)

A Farmer Producer Organization (FPO) is an association, a society, a cooperative, a union a federation, or even a firm that has been established to promote the interest of farmers.¹ The main aim of an FPO is to provide services that support producers or farmers in their cultivation and post-harvest activities. In India, a farmer producer organization is a legally recognized body of farmers or agriculturist that aim to improve the standard of their living and ensure a good status of their available support, income, and profitability.² They can be organized and structured as associations, societies, cooperatives, farmers' groups, unions, federations, or even firms. They exist to promote the interests of farmers and to work for their economic and social benefit.

Why FPO?

Agriculture plays a vital role in ensuring food and nutritional security. Even if we consider Sustainable Development Goals (SDGs) set by United Nation (UN) targeting 2030, Agriculture has a very fundamental role to play in achieving the SDGs by 2030.³ The SDGs is directly linked to small farm production, eight other goals related to ending poverty, gender discrimination, inequality, environmental degradation, tackling climate change and promoting and ensuring healthy lives have small farm development and growth central to their success. A majority of the world's agricultural production takes place on small farms, and currently 90% of the 570 million farms globally are small (less than 2 hectares in size), cultivated by 1.5 billion of the world's poor. In Asia and Sub-Saharan Africa, where the problem of hunger and poverty are most severe, 80% of food supply comes from smallholders.⁴ Therefore, assuring the viability of small farms is crucial. Small farms face numerous challenges in production, especially in terms of access to essential factors of production such as credit, inputs (seeds, fertilizers, and pesticides), and information and production technologies in addition to poor access to output markets. Small farms are heterogeneous economic units of agricultural production. Their characteristics and challenges vary according to geography, influence of historical institutions, and the political and socio-economic

¹[https://www.cropin.com/blogs/farmer-producer-organisations-pathways-to-agricultural-transformation#:~:text=Farmer%20producer%20organisations%20\(FPOs\)%20are,farmers%20and%20ensuring%20their%20prosperity.](https://www.cropin.com/blogs/farmer-producer-organisations-pathways-to-agricultural-transformation#:~:text=Farmer%20producer%20organisations%20(FPOs)%20are,farmers%20and%20ensuring%20their%20prosperity.) (Last Accessed on 20th May 2022)

²<https://www.nabard.org/content1.aspx?id=23&catid=23&mid=530> (Last Accessed on 20th May 2022)

³<https://sdgs.un.org/topics/food-security-and-nutrition-and-sustainable-agriculture> (Last Accessed on 20th May 2022)

⁴<https://sdgs.un.org/2030agenda> (Last Accessed on 20th May 2022)

conditions in which they are situated. Therefore, addressing concerns of small farm productivity and designing potential solutions to address them will vary within and across countries. Improving agricultural productivity and household level incomes is central to reducing poverty and nutritional challenges we face globally.

The Characteristics of FPO

The farmer producer organization contains some key characteristics which are given below:

- The minimum numbers of members have to be ten. Producer Organization is formed with limited liabilities and limited only by share capital.
- The liability of the members is limited to the unpaid amount of the shares held by them –
- The voting rights shall be based on a single vote for every member, irrespective of his shareholding or patronage.
- The member would be the primary producers.
- The FPO will have a management team to conduct day to day operations and will be governed by a Board of Members.
- The FPO would have a Board elected from among the members.
- The Board may co-opt one or more expert directors or an additional director not exceeding one- fifth of the total number of directors.
- The surplus arising out of the operations of the Producer Organization shall be distributed in an equitable manner by providing for the development of the business, providing for common facilities and for distributing amongst the members in proportion to their participation in business.
- Members' equity cannot be publicly traded but be only transferred.

Objective of FPO

The primary objective of FPO is to help small farmers to enhance agricultural production, productivity and profitability. It also aims to support to select appropriate crops which are suitable for their area and which are having market demand. FPO provides access to modern technology through community-based processes for improving productivity and quality of produce. Facilitate to access forward linkages for new technologies for improving productivity, for value addition of the produce and market tie-ups. Ensure access to use of quality inputs and services for improving agricultural production. FPO also assists farmers to strengthen their capacity for increasing productivity through use of best agricultural practices and link producers to market for getting fair prices for their produce and increase the income of the farmer through supply of quality, pest and disease resistant plant saplings, fertilizers and plant protection chemicals.⁵ Eventually it organizes the farmer collectively among the groups and also promotes collective marketing.

Services provided by FPO

The FPO will offer a variety of services to its members. The FPO will facilitate linkages between farmers, processors, traders, and retailers to coordinate supply and demand and to access key business development services such as market information, input supplies, and transport services. Based on the emerging needs, the FPO will keep on adding new services from time to time. The set of services include Financial, Business and Welfare services.⁶ An indicative list of services includes:

Organizational services: Organize farmers into informal groups (FIG), catalyzing collective action, building their capacities and establishing internal monitoring systems.

Production services: Facilitation of (collective) production activities. Developing clusters for producing significant volume of marketable surplus.

Input Supply Services: The FPO provides low cost and quality inputs (fertilizers, pesticides, seeds, sprayers, pump sets, accessories, and pipelines) to member farmers.

Marketing services: FPO ensures direct marketing after procurement of agricultural produce. It also transports and storage, processing, weight losses, price fluctuations, market information and analysis, branding, certification. Market value-added products at maximum profits and thus generate funds.

Financial services: The FPO provides loans for crops, purchase of tractors, pump sets, construction of wells, laying of pipelines etc.

Procurement and Packaging Services: FPO procures produce from its member farmers and then help for standardization, grading, value addition and packaging of the produce. They help farmers for obtaining firm orders from market and government programs.

⁵<https://byjus.com/govt-exams/farmers-producers-organisation-fpo/>(Last Accessed on 20th May 2022)

⁶<https://coefpo.org/fpo.html>(Last Accessed on 20th May 2022)

Technology services: FPO guides farmers for using best practices of farming, for obtaining market information, for gaining knowledge and skills in agricultural production, knowledge of post-harvest processing for adding value to products. Support farmers to ensure appropriate usage of quality inputs.

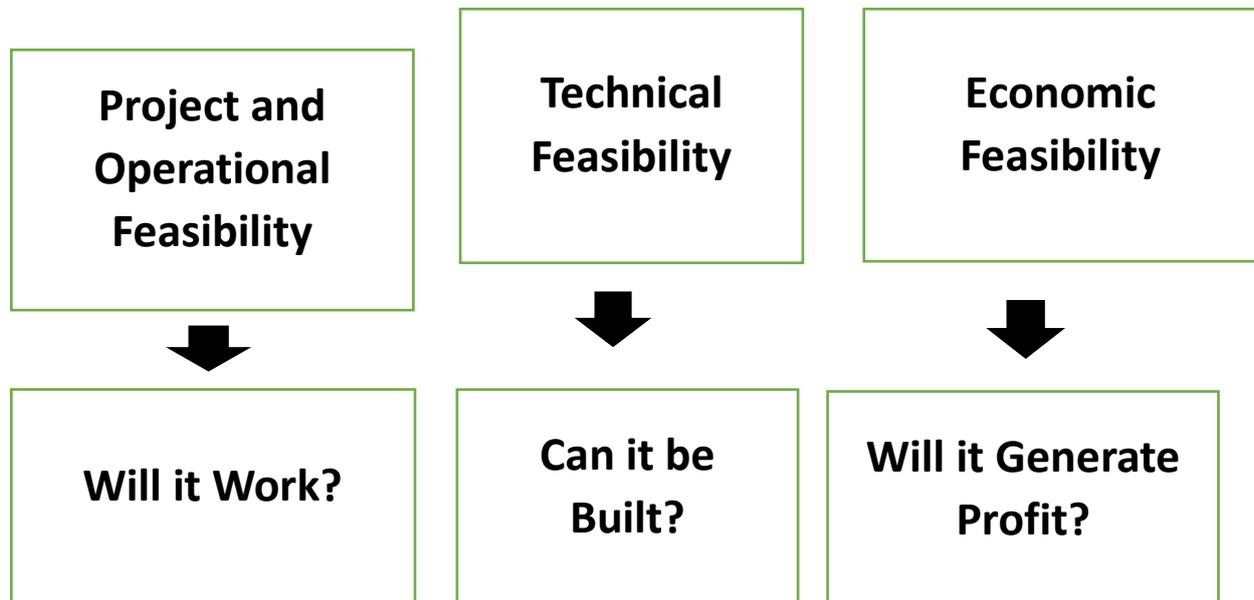
Insurance Services: Provides various insurance like Life Insurance, Crop Insurance, and Electric Motors Insurance etc.

Benefits to Farmers

A Farmer Producer organization gives a robust framework for the small farmers for organizing themselves for effective linkage with markets. It gives bargaining power to the small farmers, enable cost-effective delivery of extension services, and empower the members to influence the policies that affect their livelihoods.⁷ FPO helps to overcome the constraints imposed by the small size of individual farms, middlemen exploitation. FPO members are able to leverage collective strength and bargaining power to access financial and non-financial inputs, services and appropriate technologies, reduce transaction costs, tap high value markets and enter into partnerships with private entities on more equitable terms. Major activities of FPO are supply of inputs such as seed, fertilizer and machinery, market linkages, training & networking and financial & technical advice.⁸ FPO offers a statutory and regulatory framework that creates the potential for producer-owned enterprises to compete with other enterprises on a competitive footing. It provides the possibility of small producers to form their own companies, without loss of control of their assets the format provides higher legitimacy and credibility in the immediate business environment. In the context of Bangladesh, there is a huge gap in market price that is earned by the middlemen and sold by the small farmers to the middlemen in the market. In this backdrop FPO can eradicate the existing abysmal condition of smallholder farmers by facilitating proper information related to supply chain and market linkage.

Structure of FPO

This structure is a nested structure and should not be a tier structure rather flexible as per different regional and country context.



Business Plan

A business plan is a formal written document containing business goals, the methods on how these goals can be attained, and the time frame within which these goals need to be achieved. It also describes the nature of the business, background information on the organization, the organization's financial projections, and the strategies it intends to implement to achieve the stated targets. In its entirety, this document serves as a road map that provides direction to the business.

⁷<https://farmerconnect.apeda.gov.in/Home/ForGroups?PaccessID=1>(Last Accessed on 20th May 2022)

⁸<https://cleartax.in/s/fpo-farmer-producer-organization-scheme>(Last Accessed on 20th May 2022)

Why Business Plan is needed for FPO?

Since FPOs primarily functions at grassroots level and their members are not well advanced in operating the business successfully. This business plan will help them in capacity building, expanding their marketing scope, determining the viability of the market, obtaining the funding scope to make the business viable. A proper business plan will ensure the members to achieve their optimum goals in running the FPO business.

Process of a Business Plan

To run the FPO the business plan should be clear and concise. It should contain all the key information about the product, money requires to build it. Here are the 11 key elements that should be included in every business plan:

Executive Summary

This is a brief overview of the entire business plan. This section of the business plan will give clear guidelines to the stakeholders (FPO members, promotional NGOs, donor organizations, government) involved in FPO business. It includes a brief overview of the business idea, the offering, business goals, target market, competition, the team and the financial outlook for the business.

FPO Description & Synopsis

This section of the business plan explains the FPOs' mission, vision, goals, business strategies, legal structure, and briefly but is more elaborate than the executive summary. The details are followed by the problem the FPO is solving for the customers and the solution which makes it stand out of the competition

Business Model

The business model is the conceptual structure that explains how the FPO works or will work. This section will answer the question of how it will provide the offering in the market and why is the offering viable. If the company is FPO, this section would include how it would partner with retailers and how would its business structure be viable for both the retailers and farmers avoiding the exploitation of middlemen. Competitive Analysis This section is dedicated to explaining who the competitors in the market are, what are their strategies used by the business to tackle them.

Marketing Plan

The marketing plan acts as an inference of all the details explained earlier. This section provides the details on how the FPO plans to use the information mentioned above in formulating and executing their marketing strategies. The marketing plan is an important section of the business plan as it explains how the FPO is planning to reach out to the customers and stand out of the competitors. That being said, the marketing plan isn't limited to the promotion of the offering. It includes a holistic strategy to market the offering right from production to post-sales.

Small and marginal farmers constitute a majority in agriculture but are integrated through traditional value networks which lack supportive environment with institutional and infrastructural system, inadequate resources and effective coordination within the value networks. Farmer Producer Organizations (FPOs) are formed to integrate the small farmers with agricultural marketing system and offer remunerative prices with low transaction cost.⁹ The formally active structures in agricultural marketing have taken the new shape under the FPO system which can be sustainable by ensuring proper production, finance, governance and management. A feasibility analysis is an important tool to help field facilitators to assess the viability of starting a new value-added business, or re-organizing or expanding an existing business of FPO. It provides important information needed to make the critical decision of whether to go forward with a business venture in a particular region with small holder's farmers. The FPO members need to understand the demand for local crops in their region. This includes the demand for products and services from both wholesale buyers and farmers.

Every business wants to increase their revenues, but it needs to go deeper and understand the volumes of specific items through the year and the price buyers are willing to pay. Based on this assessment, cluster selection for FPO at promotional stage need to be identified in making the establishment of FPO as a sustainable model in their region. Production is an integral part of FPO's sustainability. From the beginning of FPO promotion stage production should be considered very carefully otherwise, later on each and every step of FPO would be affected. Good harvesting can be ensured through proper crops selection and for which FPO needs to arrange capacity building training for their members. Therefore, if the production is satisfactory FPO will be able to explore good marketing scope for their products. From our field visit experience, it can be recommended that for the sustainability of FPO in terms of productions the above information should be followed.

⁹file:///C:/Users/Mithun/Downloads/jrc101617_jrc%20report%20_po_litrev.pdf (Last Accessed on 20th May 2022)

II. Conclusion

Small and marginal farmers constitute a majority in agriculture but are integrated through traditional value networks which lack supportive environment with institutional and infrastructural system, inadequate resources and effective coordination within the value networks. Farmer Producer Organizations (FPOs) are formed to integrate the small farmers with agricultural marketing system and offer remunerative prices with low transaction cost. The formally active structures in agricultural marketing have taken the new shape under the FPO system which can be sustainable by ensuring proper production, finance, governance and management.

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¹⁰https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3809516 (Last Accessed on 20th May 2022)