

# **Complexities, Challenges & Way Forward for Federation of FPOs**

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# ABOUT GUJPRO

Name: Gujpro Agribusiness Consortium Producer Co. Ltd.

Focus Areas and Expertise:

- *Procurement and processing of groundnut*
- *Procurement of oilseeds and pulses under Minimum Support Price (MSP) scheme.*
- *Trading in cumin crop.*
- *Marketing support to mango growers.*

Geographical Outreach (States/ Districts): 13 districts of Gujarat State

Sectors: Agriculture & Horticulture

Outreach:

No. of Producer Groups: 29 FPOs as member shareholders comprising of app. 45000 farmers.

Commodities Promoted: Groundnut, Cumin, Tur, Mango

# Complexities & Challenges

- Initial FPO Federations promoted had a larger mandate covering multiple agendas and commodities.
- Focus on creating a large membership base
- Limited resources and knowhow.
- More dependence on MSP procurements and government projects to serve the expectations of a large number of member FPOs and build up the financial capital.
- Absence of sustainable long term business which keeps the revenue flowing.

# Complexities & Challenges

- Business with limited number of FPOs; Inactive members; Poor capacity of FPOs to execute trade.
- Direct competition with market players in conventional trade. Market players more efficient and financially stronger than FPOs.
- Very few companies willing to work on special business terms which are facilitative.
- Limited finance available for FPOs and federations for growth.
- Finance available at higher costs

# Complexities & Challenges

- Limited finance available for FPOs and federations for growth.
- Finance available at higher costs

## Trader/ Supplier

- Purchase commodity from farmer and supplies to processors and large traders
- Working capital base of 20 lakh to 200 lakh

## Primary Processor

- Supplies primary processed product to large processors, exporters, wholesalers
- Working capital base of 50 lakh to 500 lakh

## Secondary Processor

- Supplies processed or finished products to range of buyers
- Working capital base of 500 lakh to 2000 lakh

# Complexities & Challenges

- Role overlap between FPO and Federation.
- Gaps in decision making. Absence of skilled staff limits effectiveness of interventions. Risk Management systems needs to be more robust.
- Absence of a proper mechanism to capture learning, engage stakeholders to create a larger impact.

# Way Forward

- Promote more commodity specific and cluster based federations. There is need for specialization, focus, targeted use of resources and value chain integrations.
- Large buyers/companies prefer to deal with traders and middlemen because they can deliver higher volume of commodities or products. Federations could organize sourcing of commodities from multiple FPOs to meet the demand of large buyers.
- Federation could promote value addition of commodities at the level of FPOs by generating demand for value added products in B2B and B2C segments

# Way Forward

- Demand for specialty products like organic, residue free, fair trade products is opening up in the local and international markets. FPOs are best placed to organize production of such high valued products. The federation has a larger role in creating demand for such products.
- Require management with strong business orientation and positive intent.
- Federations have to be adequately staffed (skilled) so that it could play a meaningful role and provide services to more FPOs and large number of farmers.
- Credit guarantee cover of upto 200 lakh for FPOs and upto 1000 lakh for federation of FPOs.
- Strong support system for federations for decision making on large projects, business plan/project report development, handholding for execution of projects.



# Way Forward

## FPO

- Production planning, production management, aggregation
- Primary processing of produce
- Sale of processed commodities to retail and bulk buyers in local markets.

## Commodity Specific Federation

- Procurement from FPOs.
- Secondary and tertiary processing.
- Sale of commodities in far of markets, exports, large companies.
- Organize production of high valued crops like organic, residue free, etc. and sell it to speciality buyers.

## State Level Federation

- FPO strengthening by multi-stakeholder partnerships.
- Technical knowhow and support services
- Branding, packaging, marketing. Create a huge market for value added/ consumer products.
- Organize efficient marketing, distribution channels for consumer products.
- Promote subsidiaries or SPVs to facilitate the work of FPOs/CSFs