



# AGRI MAGAZINE

(International E-Magazine for Agricultural Articles)

Volume: 03, Issue: 01 (January, 2026)

Available online at <http://www.agrimagazine.in>

© Agri Magazine, ISSN: 3048-8656

## The Billion-Dollar Handshake: Can FPOs and NABARD Turn India's Smallholders into Agripreneurs?

\*Badigi Pavan Naik

Ph.D. Scholar, Department of Extension Education, College of Agriculture,  
O.U.A.T, Bhubaneswar, Odisha, India

\*Corresponding Author's email: [pavanextension@gmail.com](mailto:pavanextension@gmail.com)

For generations, the Indian agriculturist has been a "price-taker," vulnerable to market fluctuations and high-interest debt. Today, a structural shift is underway. Through **Farmer Producer Organizations (FPOs)** and the strategic oversight of **NABARD**, growers are attempting to transition from the traditional plow to the corporate boardroom. However, this journey from subsistence to "agripreneurship" is currently navigating a complex landscape of institutional promise and policy bottlenecks.

The central crisis of Indian farming is fragmentation: approximately **86% of farmers** manage less than two hectares of land. This lack of "economies of scale" historically forced them to rely on intermediaries, eroding their profit margins. The FPO model serves as a collective remedy, aggregating these smallholders into professional, member-owned corporate entities.

### The Anatomy of an FPO

At its core, an FPO—whether registered as a Cooperative or a Producer Company—acts as a business vehicle for the rural poor.

- **Market Leverage:** By consolidating their harvests, farmers transform from individual sellers into a powerful collective capable of negotiating bulk prices for inputs like seeds and fertilizers.
- **Industrial Integration:** FPOs enable members to capture more value by moving into primary processing, including standardized sorting, grading, and branding.
- **Global Readiness:** These organizations act as a conduit between rural fragmented production and the rigorous quality standards of international and modern retail markets (NAFPO, 2024).

### NABARD: The Institutional Architect

The **National Bank for Agriculture and Rural Development (NABARD)** serves as the primary engine for FPO growth in India. By late 2025, NABARD's footprint expanded to support over **6,265 FPOs**, impacting the livelihoods of more than 30 lakh farmers (NABARD, 2025).

To facilitate this, NABARD employs several critical financial levers:

1. **The PRODUCE Fund:** A specialized fund focused on the "handholding" and formation phase of new organizations during their vulnerable first three years.
2. **Risk Mitigation via NABKISAN:** Through credit guarantee funds, NABARD encourages traditional banks to offer loans to FPOs without the paralyzing requirement of land collateral.
3. **Institutional Mentoring:** By funding **Cluster-Based Business Organizations (CBBOs)**, NABARD attempts to instill corporate governance and management skills into farmer-led boards.

## Critical Friction Points: Where the Model Stutters

Despite the quantitative growth, the partnership between grassroots organizations and NABARD faces significant "friction points" that threaten long-term viability.

### 1. The Sustainability Gap

There is a growing concern regarding "quantity over quality." While the national mandate to establish 10,000 FPOs has driven registration up by **75%**, many of these are "paper FPOs." Data suggests a significant portion of these entities hold low credit ratings ("C" or "D"), indicating they are not yet financially self-sustaining (NAFPO, 2025; NABARD, 2021).

### 2. The Credit Bottleneck

A "missing middle" in financing persists. While grants cover initial setup, FPOs often hit a wall when seeking **Working Capital**.

- **Collateral Barriers:** Even with guarantee schemes in place, commercial lenders remain hesitant to fund FPOs that lack tangible assets (Chintala, 2022).
- **Administrative Layers:** Because NABARD acts primarily as a facilitator rather than a direct retail lender, FPOs must navigate multiple layers of bureaucracy to access liquidity.

### 3. Management and NGO Limitations

FPOs are frequently mentored by **Promoting Institutions (POPIs)**, often NGOs that excel at social mobilization but lack the commercial "business acumen" needed for market competition. This leads to governance failures where farmer-directors struggle with the complex statutory requirements of the Companies Act (Mukkot, 2025).

### 4. The Pace of Progress

In regions like Jharkhand, the time lag between fund sanctioning and the actual setup of processing units has led to "member fatigue." When infrastructure like cold storage takes years to materialize, farmer trust in the collective model begins to wane (NABARD Jharkhand, 2023).

## The Road Ahead: From Grants to Markets

To ensure the 50,000+ FPOs currently active in India don't collapse once subsidies expire, the ecosystem must evolve.

- **Digital Integration:** Moving toward real-time credit tracking and digital asset management to improve transparency (NABARD, 2025).
- **Professional Incubation:** Replacing the NGO-led model with professional business incubators, such as XLRI's XCITE center, to ensure FPOs can compete head-to-head with private agribusiness giants.

## References

1. NAFPO (2025). *State of the Sector Report on Farmer Producer Organisations (SOFPO)* 2025. National Association for Farmer Producer Organisations. [Online Report].
2. NABARD (2025). *Farm Sector Development Department: Broad Achievements as on 31 December 2025*. National Bank for Agriculture and Rural Development.
3. Mukkot, Dr. (2025). *Farmer Producer Organizations in India: Challenges, Solutions, and a Roadmap*. International Journal of Multidisciplinary Studies and Innovative Research.
4. Hindustan Times (2025). *SC Committee, NABARD discuss steps to ease farmers' woes regarding defunct FPOs*. Published July 9, 2025.
5. NABARD Jharkhand (2023). *Impact Evaluation Study of Farmer Producer Organisations under PRODUCE Fund*. Regional Office Ranchi.
6. Chintala, G.R. (2022). *Credit a key challenge before Farmer Producer Organisations*. Interview with NABARD Chairman.