AGRI MAGAZINE
(International E-Magazine for Agricultural Articles)
Volume: 03, Issue: 11 (November, 2026)
Available online at http://www.agrimagazine.in
©Agri Magazine, ISSN: 3048-8656

# From Registration to Revenue: Strategies for Effective Restructuring and Functioning of Farmer Producer Organisations (FPOs)

*Dr. S. Lokesh Babu, Dr. K. Kiran Kumar Reddy, Dr. D. Vijay Kumar Naik, Sri Hari Sadu, Dr. R. Sujatha and Dr. N. V. Sarala
Krishi Vigyan Kendra, Nellore, SPSR Nellore District, Acharya N.G. Ranga Agricultural University, Lam, Gunutr, Andhra Pradesh, India
*Corresponding Author's email: slbagri2009@gmail.com

Farmer Producer Organisations (FPOs) have emerged as an important institutional mechanism for strengthening the collective bargaining power, market access and economic security of small and marginal farmers in India. Despite government initiatives to promote farmer collectivization, many FPOs face challenges related to weak governance, inadequate working capital, limited business operations, poor market linkages, insufficient managerial capacity and low member participation. Their sustainability depends not merely on registration but on functioning as professionally managed, financially viable and farmer-centric enterprises. This article examines practical strategies for effective FPO restructuring, focusing on institutional diagnosis, governance reforms, professional management, business planning, financial sustainability, collective procurement, market development, value addition, digital technologies and extension support. It proposes a phased restructuring framework with measurable performance indicators. Strengthening convergence among KVKs, agricultural universities, financial institutions, government agencies and private-sector stakeholders is essential to improve business performance, enhance farmer incomes and build resilient, competitive and sustainable FPOs.

**Keywords:** Farmer Producer Organisations, institutional restructuring, collective marketing, governance, business sustainability, farmer empowerment, agricultural extension.

## Introduction: Beyond the Numbers -Towards Sustainable Farmer Enterprises

Indian agriculture is predominantly characterised by small and marginal holdings, fragmented production, increasing input costs, price fluctuations and inadequate access to remunerative markets. Individual farmers often face difficulties in purchasing quality inputs at competitive prices, adopting modern technologies, accessing institutional credit and negotiating favourable prices for their produce. Collective action through Farmer Producer Organisations (FPOs) provides an institutional approach to address these challenges.

An FPO is a collective of primary producers formed to undertake production-related and business activities for the benefit of its members. It enables farmers to operate collectively while retaining individual ownership of their agricultural holdings. Through aggregation, economies of scale can be achieved in input procurement, production, processing, storage, transportation and marketing. The Government of India launched the Central Sector Scheme for Formation and Promotion of 10,000 FPOs in February 2020, with a budgetary outlay of Rs .6,865 crore up to 2027-28.

The central question is no longer simply how many FPOs have been registered, but how many are actively conducting business, generating revenue, retaining members and delivering tangible economic benefits. The transition from registration to revenue is therefore a priority for the next phase of FPO development.

## FPO Development in India: Achievements and Emerging Realities

India has made substantial progress in FPO promotion. By August 2026, 10,000 FPOs had been formed under the Central Sector Scheme. Their cumulative turnover was reported at Rs.20,358 crore as of 31 July 2026. More than 65 lakh farmer shareholders had been collectivized. About 40% of shareholders were women, and 1,175 FPOs had been established with entirely women members. Management-cost support had reached 9,865 FPOs, equity grants 8,357 FPOs and credit-guarantee facilities 3,140 FPOs (Ministry of Agriculture and Farmers Welfare, 2026a).

However, turnover remains uneven. Audited statements for 2024-25 showed that 6,964 FPOs recorded annual turnover of up to Rs.50 lakh, 862 recorded Rs.50 lakh to Rs.1 crore, and 1,135 exceeded Rs.1 crore. These figures underline the need to strengthen business operations, efficiency and member-level benefits rather than concentrating only on institutional formation (Ministry of Agriculture and Farmers Welfare, 2026b).

## Why Do FPOs Struggle After Registration?

Registration provides an FPO with a legal identity, but it does not automatically ensure business viability, active farmer participation or long-term financial sustainability. The Organisation must transform itself from a farmer collective into a professionally managed, market-oriented enterprise. Important constraints are interconnected and require coordinated solutions.

**a) Weak Member Participation and Collective Business Commitment:** A major reason for poor performance is the gap between formal membership and active participation. Some farmers join mainly to fulfil registration requirements or access government benefits but continue selling produce individually to local traders for immediate cash payments. Inadequate transactions, delayed payments, lack of price transparency and limited visible benefits discourage participation, resulting in low business volumes. A study of 200 members from 20 FPOs in Andhra Pradesh and Telangana identified poor coordination, insufficient capital, limited external linkages and low procurement capacity among the important constraints (Veesam et al., 2024).

**b) Lack of Professional Management and Entrepreneurial Leadership:** Many FPOs are managed by farmer-directors who possess agricultural experience but have limited expertise in business administration, accounting, financial planning, market intelligence and statutory compliance. The absence of competent CEOs, accountants and marketing personnel affects procurement, marketing and enterprise growth. Farmer leadership must therefore be complemented by professional management. IFPRI (2025) also highlighted the need to strengthen commercial expertise in FPO management teams.

**c) Inadequate Working Capital and Limited Access to Institutional Credit:** Working capital is essential for produce procurement, transportation, grading, packaging, inventory management and timely farmer payments. Many FPOs have limited share capital and reserves, while access to institutional credit may be constrained by weak business records, inadequate financial statements and limited credit history. NABARD's 2023-24 reporting recorded 7,355 FPOs promoted under its programmes, of which 1,995 were credit-linked. It also reported that about 82% of farmers associated with NABARD-promoted FPOs were small and marginal farmers, reinforcing the importance of accessible financial services (NABARD, 2024).

**d) Weak Market Intelligence and Price-Risk Management:** Many FPOs concentrate on produce aggregation without developing dependable links with wholesalers, processors, retailers, institutional buyers and exporters. Limited information on prices, quality standards, demand and procurement schedules weakens bargaining capacity. Seasonal gluts and price fluctuations add risk. An assessment of nine FPOs in Anantapuramu district found that inadequate management of price risk affected member participation and organisational sustainability, and recommended comprehensive business strategies rather than aggregation alone (Reddy et al., 2025).

**e) Limited Value Addition, Processing and Infrastructure:** Marketing commodities in raw form without cleaning, grading, sorting, processing and packaging limits value capture. Warehouses, cold storage, pack houses, processing units, transport and quality-testing facilities may be unaffordable for new FPOs, particularly those handling perishable commodities. Shared facilities and partnerships can reduce the initial investment burden.

**f) Governance and Institutional Weaknesses:** Irregular Board and General Body meetings, poor documentation, delayed statutory filings, inadequate financial disclosure and limited member participation undermine trust and accountability. IFPRI (2025) reported that only 57% of 26,938 active and legally compliant FPOs had submitted the required financial documents in 2023. Governance systems must therefore be treated as a core business requirement, not a routine administrative formality.

**g) Weak Institutional Linkages and Dependence on Promoting Agencies:** Some FPOs remain dependent on Cluster-Based Business Organisations (CBBOs), promoting institutions and government agencies for administrative and operational support, and struggle after the initial handholding period. Weak coordination with KVKs, agricultural universities, research institutions, banks, input suppliers, processors and market intermediaries restrict access to technical knowledge, finance and business opportunities. Patil et al. (2025) similarly emphasized institutional support, market access, leadership and farmer-led management.

**h) Inadequate Digitalization and Information Management:** Limited use of digital accounting, inventory systems, e-commerce and real-time market information affects efficiency and competitiveness. Poor digital records of membership, procurement, financial transactions and commodity-wise business activity also hamper performance monitoring and planning. Digital tools must be accompanied by practical training and user-friendly systems.

## From Registration to Revenue: Ten Strategies for Effective FPO Restructuring

**Strategy 1: Conduct an FPO Performance Audit and Institutional Diagnosis:** The first step should be a comprehensive assessment of membership, share capital, turnover, financial position, statutory compliance, governance, infrastructure, market linkages and member satisfaction. Based on operational, financial and governance performance, FPOs may be classified as: (A) **Functioning FPOs**, with regular business and satisfactory governance; (B) **Partially Functioning FPOs**, with membership and basic infrastructure but limited business; and (C) **Dormant or Weak FPOs**, with negligible business, poor participation and weak management. Functioning FPOs need expansion support, partially functioning FPOs need targeted revival, and dormant FPOs need intensive institutional rehabilitation.

**Strategy 2: Strengthen Farmer Membership and Member-Centric Governance:** Farmers must move from nominal shareholders to active stakeholders. This can be achieved through village-level mobilization, collective input procurement and produce marketing, transparent pricing, timely payments, regular Board and General Body meetings, and representation of women, tenant farmers and underserved groups. Business performance and financial statements should be shared regularly. The proportion of active members participating in business is a more meaningful indicator than the number of registered shareholders alone.

**Strategy 3: Develop Professional Management and Business Leadership:** FPOs should operate as professionally managed agribusiness enterprises while retaining farmer ownership and democratic accountability. Competent CEOs, accountants and business-development personnel are essential. Capacity building should cover business planning, bookkeeping, financial management, procurement, inventory control, marketing, negotiation, statutory compliance, corporate governance and digital operations. CBBOs, KVKs and agricultural universities can provide continuous mentoring and technical guidance.

**Strategy 4: Adopt a Business-Oriented Rather Than Scheme-Oriented Approach:** Each FPO should prepare a realistic three-year business plan based on local production potential, member requirements, market demand and available infrastructure. Revenue-generating activities may include collective input procurement, produce aggregation and marketing, supply of quality seeds and planting material, custom-hiring services, grading, sorting,

packaging, processing, value addition and digital marketing. FPOs should initially concentrate on two or three commercially viable activities and expand gradually, rather than spreading limited resources across too many ventures. The objective is to meet operating expenses through business income and progressively reduce dependence on grants.

**Strategy 5: Strengthen Collective Input Procurement and Supply:** Collective input procurement is a practical entry point for increasing business turnover and delivering visible benefits to members. FPOs can consolidate seasonal requirements and procure seeds, fertilizers and crop-protection products from authorized manufacturers, distributors and institutional suppliers. Crop-specific systems can be developed for paddy, groundnut, blackgram, red gram and horticultural crops. This can reduce procurement costs, improve timely availability and strengthen bargaining power. Input supply must be supported by technical guidance, quality assurance and compliance with applicable licensing requirements.

**Strategy 6: Transform Aggregation into Value Addition:** FPOs should gradually move beyond simple aggregation towards primary processing, grading, sorting, packaging and other value-added activities. Opportunities include rice milling and branded rice from paddy, oil extraction and packaging from groundnut, dal processing from blackgram and Redgram, pulp and pickle production from mango, grading and value addition of acid lime, millet flour and ready-to-cook products and hygienic handling, chilling and marketing of fish & aquaculture products. Market demand and commercial viability should be assessed before investing. Common facilities, custom processing and partnerships with existing units can minimize initial investment and risk.

**Strategy 7: Build Strong Market Linkages and Institutional Partnerships:** FPOs should identify potential buyers before undertaking large-scale procurement and aggregation. These may include processing industries, rice and dal mills, retailers, supermarkets, food companies, institutional buyers, exporters, organized traders and eligible government procurement agencies. Written purchase arrangements should specify quality standards, price-discovery mechanisms and payment terms. Electronic platforms such as e-NAM and digital commerce networks such as ONDC may be explored wherever eligible and commercially viable. The Anantapuramu assessment reinforces the importance of integrated business strategies and effective price-risk management (Reddy et al., 2025).

**Strategy 8: Improve Financial Management and Access to Institutional Credit:** Every FPO should maintain systematic books of accounts, bank reconciliation, stock registers, purchase and sales records, cash-flow statements and audited financial statements. Under the Central Sector Scheme for 10,000 FPOs, eligible organisations can access management assistance of up to Rs.18 lakh over three years, matching equity grants of up to Rs.15 lakh subject to prescribed conditions, and credit-guarantee support for eligible project loans up to Rs.2 crore. These mechanisms should strengthen business operations, not become permanent sources of income. Bankable proposals should include cash-flow projections, market linkages, working-capital requirements and repayment plans.

**Strategy 9: Promote Digitalization and Data-Driven Decision-Making:** Digital systems can streamline member registration, shareholder records, input booking, produce aggregation, procurement, digital weighing, inventory, accounting and statutory compliance. Market-price monitoring, buyer communication, payment tracking and online product promotion can improve decision-making. Tools should be selected according to business needs, financial capacity, technical capability and member accessibility, with digital-literacy training for directors and members.

**Strategy 10: Establish Institutional Convergence and Continuous Handholding:** Sustainable FPO development requires coordinated institutional support. KVKs, State Agricultural Universities, NABARD, SFAC, CBBOs, banks, line departments, research stations, market committees and processing industries should work together. KVKs can provide technical backstopping through crop demonstrations, quality seed supply, integrated pest management, soil-health management, post-harvest technologies, processing

demonstrations and entrepreneurship development. Agriculture and horticulture departments can facilitate input licensing, farm machinery access, scheme convergence and market infrastructure. Banks can support credit planning, while NABARD and SFAC can facilitate institutional development and market linkages through their respective programmes. Such convergence can transform FPOs into integrated farmer-service and agribusiness centres.

## A Practical Roadmap for FPO Restructuring

The restructuring of FPOs should follow a phased, measurable and business-oriented approach to ensure systematic institutional revival and long-term sustainability. The proposed roadmap consists of five phases over 36 months. Phase I-Diagnosis (0-3 months), focusing on institutional audits, member assessment and identification of operational gaps, Phase II-Revival (3-6 months),emphasizing Board strengthening, membership mobilization, professional staffing and business planning, Phase III -Business Activation (6-12 months), focusing on collective input procurement, produce aggregation, buyer identification and working capital mobilization, Phase IV-Business Expansion (12-24 months), promoting processing, value addition, institutional contracts and digital marketing and Phase V - Sustainability (24-36 months), aimed at improving profitability, diversifying markets, strengthening professional management and ensuring tangible benefits to members. The roadmap should be customized according to the maturity, commodity profile, institutional capacity and financial position of each FPO.

## Key Performance Indicators: Measuring Success Beyond Registration

FPO performance should be regularly assessed using measurable business, institutional and farmer-benefit indicators, including the proportion of active farmer-shareholders, annual business turnover and growth, gross and net operating margins, volume of produce aggregated and marketed, reduction in input procurement costs, number of institutional buyers and market agreements, member participation in collective marketing, timeliness of farmer payments, number of value-added products and improvements in member income attributable to FPO services. Performance evaluation should extend beyond business turnover to include profitability, cash-flow stability, member retention, organisational sustainability and measurable improvements in farmers' net returns.

## Policy Recommendations: What Should Be the Next Priority?

The next phase of FPO promotion should shift from formation-centric support to business sustainability. Financial and technical assistance should be linked to measurable business outcomes, member participation and institutional accountability. Professional management should be strengthened through trained CEOs, accountants and business-development personnel, particularly during the initial growth stages. Working-capital products should reflect seasonal procurement cycles, inventory needs and confirmed buyer arrangements. Commodity-based FPO clusters can facilitate bulk marketing, processing, logistics and brand development. Market partnerships with processors, retailers, exporters and institutional buyers should be expanded. Women and youth should be encouraged to participate in enterprise management, digital marketing and value addition. KVKs, agricultural universities and line departments should provide continuous technological and entrepreneurial support. Finally, district-level monitoring should assess turnover, profitability, market access, member participation and farmer-income outcomes to guide evidence-based interventions.

## Conclusion: The Future Belongs to Revenue-Generating FPOs

The growth of Farmer Producer Organisations marks an important transformation in Indian agriculture by creating opportunities for small and marginal farmers to participate collectively in organized agribusiness. The formation of 10,000 FPOs represents a significant institutional milestone, however, their true success depends on their ability to evolve into financially viable, professionally managed and farmer-owned enterprises. This requires a shift from organisational formation to business performance, subsidy dependence to revenue generation, individual marketing to collective value-chain participation, and nominal

membership to active economic engagement. FPOs must move beyond conventional input distribution and produce aggregation towards integrated agribusiness activities encompassing production, procurement, processing, value addition, branding, marketing and entrepreneurship. Achieving this transformation requires coordinated efforts from government agencies, NABARD, SFAC, CBBOs, KVKs, agricultural universities, financial institutions and private-sector partners. Ultimately, an FPO should not be considered successful merely because it possesses a registration certificate, an office or a bank account. Its success must be reflected in the business value it creates, the revenue it generates, the trust it builds and, most importantly, the additional income and economic benefits it delivers to farmer-members. The future of Indian agriculture will depend not merely on the number of FPOs formed, but on the number that emerge as financially sustainable engines of rural enterprise, collective empowerment and farmer prosperity.

## References


1. International Food Policy Research Institute. (2025, April 8). *Navigating growth challenges: Strengthening farmer producer organizations in Odisha, India.*
2. Ministry of Agriculture and Farmers Welfare. (2026a, August 7). *Formation of Farmer Producer Organizations (FPOs).* Press Information Bureau, Government of India.
3. Ministry of Agriculture and Farmers Welfare. (2026b, August 4). *Support for Farmer Producer Organisation.* Press Information Bureau, Government of India.
4. National Bank for Agriculture and Rural Development. (2024). *Annual report 2023–24.*
5. Patil, S., Mehta, M., Pancholi, G., & Saxena, A. (2025). Unveiling the dynamics of farmer producer organizations in India: A systematic review of status, challenges, and future directions. *Humanities and Social Sciences Communications, 12*, Article 758.
6. Reddy, R. V., Rahut, D. B., & Reddy, S. M. (2025). *Cooperative spirit with corporate strategy: Can farmer producer organizations improve the viability of Indian agriculture?* Asian Development Bank Institute Working Paper No. 1519.
7. Veesam, H., Nikam, V., Sangeetha, V., Kumar, P., Ray, M., Mahra, G. S., & Mahapatra, A. (2024). Constraints faced by members of FPOs in Telangana and Andhra Pradesh. *Journal of Community Mobilization and Sustainable Development, 19*(1), 195–200.