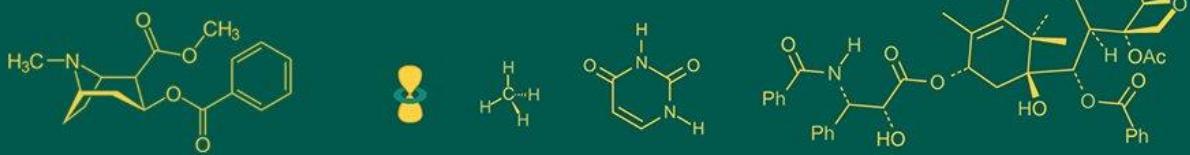


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An assessment of the status and performance of farmer producer organizations (FPOs) in Telangana, India

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Abstract

This study provides a comprehensive analysis of the status of Farmer Producer Organizations (FPOs) in the state of Telangana, India. The research aims to categorize FPOs based on their operational and financial performance to identify key challenges and opportunities for growth. A modified version of the NABARD performance grading tool was utilized to assess FPOs across a range of parameters, including age profile, governance, management, infrastructure, membership, share capital, training, business planning, financial aspects, annual turnover, market linkages, and compliance. Data were purposively collected from 18 FPOs selected from various extension centers (DAATT centers, KVKs, and RARS). The findings reveal that a majority of the FPOs are at a nascent stage of development, facing significant operational and financial constraints. The study underscores the critical need for enhanced technical, financial, and infrastructural support to ensure the sustainability and growth of these organizations.

Keywords: Farmer Producer Organizations, Performance assessment, NABARD grading tool, Operational efficiency, Financial performance, Market linkages, Telangana

Introduction

The promotion and development of Farmer Producer Organizations (FPOs) have been identified as a cornerstone of inclusive agricultural development, as articulated in the Government of India's 12th Five Year Plan. In recognition of their potential to address the challenges faced by small and marginal landholders, the government, along with apex financial institutions such as NABARD, various financial bodies, and private donor organizations, has initiated significant measures to foster their growth and efficacy as viable business entities. The fundamental objective of FPOs is to enable smallholder farmers to achieve economies of scale by strengthening support systems and services within emerging value chains. Effective farmer organizations are characterized by a common interest among members, mandatory membership with adherence to strict rules and regulations, compliance with quality production standards, and shared, rotational responsibilities. This collective structure enhances the farmers' negotiating position with buyers, thereby reducing transaction costs and mitigating production risks. The successful functioning of an FPO is critically dependent upon the strength of its management systems, governance framework, and capital structure.

Methodology

An ex-post facto research design was adopted for this study to assess the status of Farmer Producer Organizations (FPOs) in the state of Telangana, as the variables of interest had already occurred. The state was selected purposively by the investigator. At the time of data collection, Telangana had approximately 460 FPOs promoted by various agencies, with NABARD being the largest promoter, having supported 340 FPOs with a total of 90,335 shareholder members, of whom 83.65% were small and marginal farmers. The study was conducted in 18 districts, including Mahabubnagar, Vikarabad, Yadadri Bhuvanagiri, Sangareddy, Rajanna Sircilla, Kamareddy, Warangal, Nirmal, Siddipet, Nagarkurnool, Khammam, Mahabubabad, Nalgonda, Nizamabad, Adilabad, Mancherial, Bhadrakri Kothagudem and Jagtial, which were selected due to the presence of investigators from

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DAATT Centres and KVKs. From the 311 FPOs operating in these districts, a purposive sample of 18 FPOs was selected based on their established rapport with local extension units, consisting of 9 FPOs from DAATT centers, 8 from KVKs, and one from RARS, Jagtial. A total of 450 respondents were chosen for the study, comprising 90 officials (Board of Directors/CEOs) and 360 farmers, with 20 farmers randomly selected from each of the 18 FPOs. The status and performance of each FPO were measured using a modified version of the NABARD Performance Grading Tool. This tool evaluated a comprehensive set of parameters, including the FPO's age, governance, management, infrastructure, membership, share capital, training of board members, business plan, financial aspects, annual turnover, market linkage, member service utilization, convergence with government schemes, and compliance/record-keeping.

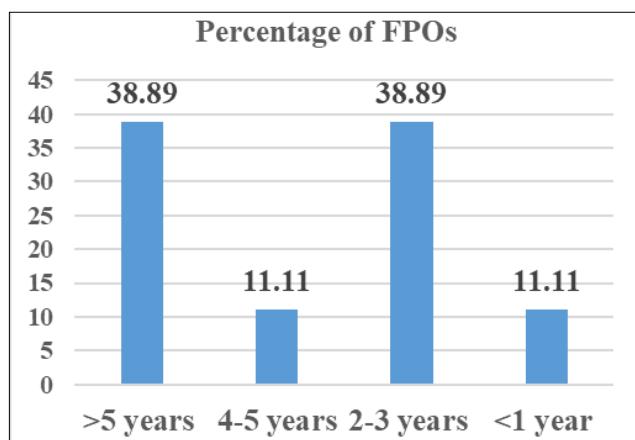
Results and Discussion

A. Categorization of FPOs by Age Profile

The analysis of the 18 sample FPOs' age profiles revealed that the majority are in a nascent stage of development. The categorization showed two dominant groups: those over five years old and those between two and three years old, each accounting for 38.89% of the sample. While the older FPOs have initiated business activities, the two-to-three-year-old FPOs are still largely confined to completing registration formalities and have not yet begun commercial operations. A smaller proportion of FPOs (11.11% each) are in the four-to-five-year-old category and the very nascent stage (less than one year), with the latter having yet to initiate resource-supporting activities. The findings collectively indicate that many FPOs are still in the initial stages of their operational journey, with a primary focus on input supply and produce procurement. The text suggests that a key impediment to their progress is a lack of sufficient funds to scale up business activities and establish value-addition infrastructure.

Table 1: Categorization of FPO's based on Age profile FPO

S. No	Age profile FPO	Max. obtained score	Number of FPO's	Percentage of FPO's
1	>5 years	5	7	38.89
2	4-5 years	4	2	11.11
3	2-3 years	3	7	38.89
4	<1 year	2	2	11.11
			18	100.00



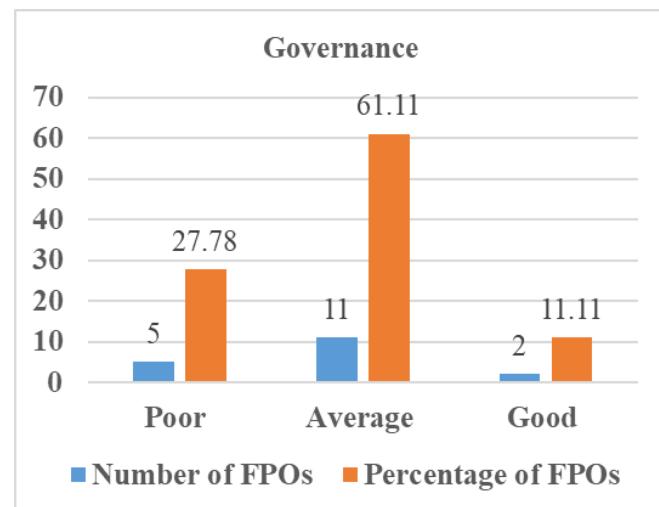
Age profile of FPO's

B. Categorization of FPO's based on Governance

The study categorized FPOs based on their governance, revealing that a majority are operating with average or poor governance practices. The analysis, which considered factors such as board composition, member experience, and the regularity of board meetings, found that 61.11% of the FPOs had average governance. This was followed by 27.78% with poor governance and only 11.11% with good governance. The findings suggest that the less-than-optimal governance can be attributed to the inexperience of board members, along with a lack of consistent support and guidance from promoting organizations. While resource institutions have adapted guidelines to local contexts, the results highlight a critical need to strengthen the internal leadership and operational structures of FPOs to improve strategic decision-making and overall organizational effectiveness.

Table 2: Categorization of FPO's based on Governance

S. No	Governance	Class interval	Number of FPO's	Percentage of FPO's
1	Poor	3-5	5	27.78
2	Average	5-7	11	61.11
3	Good	7-9	2	11.11
			18	100.00

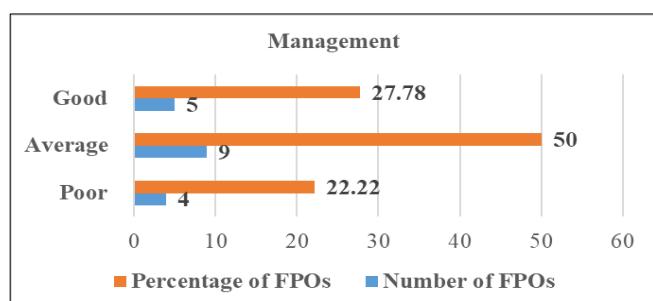


C. Categorization of FPO's based on Management

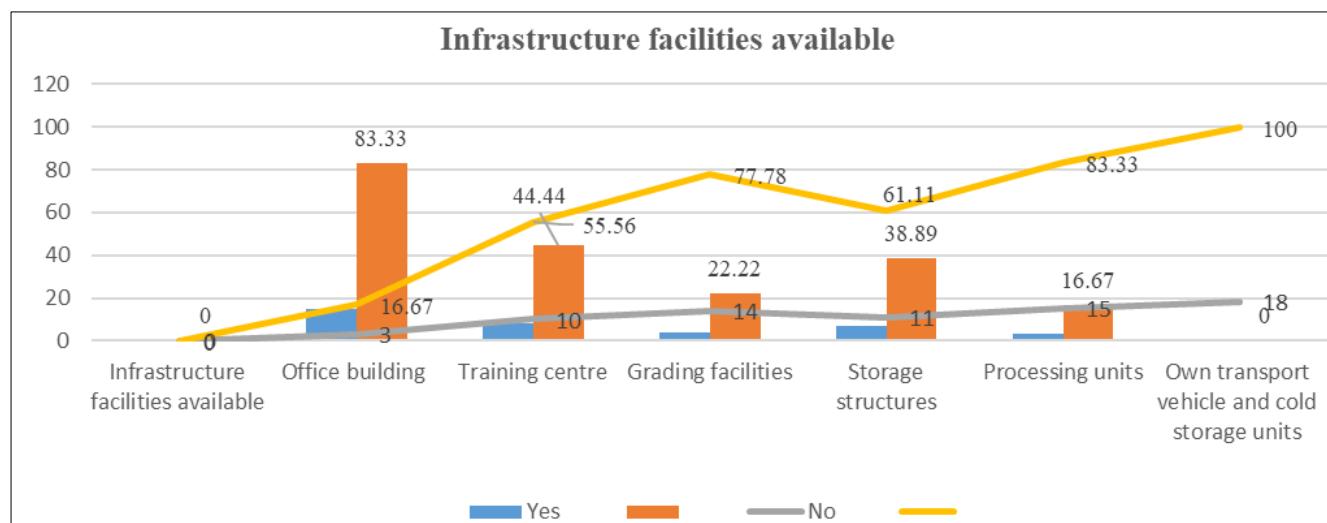
The analysis of FPO management revealed that a significant number of organizations are operating with average managerial capacity. Despite all 18 FPOs employing a full-time Chief Executive Officer (CEO), half of the sample (50.00%) was categorized as having average management. A smaller proportion demonstrated good management (27.78%), while 22.22% were found to have poor management. A key finding was that while CEOs receive essential training from NABARD on processing and marketing, the timeliness of their salaries from promoting institutions is a probable reason for the average performance. Nonetheless, the presence of strong group leadership and member cohesiveness within the FPOs appears to mitigate these issues and contribute to improved managerial skills, aligning with similar findings by Venkattakumar *et al.* (2019)^[9].

Table 3: Categorization of FPO's based on Management

S. No	Management	Class interval	Number of FPO's	Percentage of FPO's
1	Poor	4-6	4	22.22
2	Average	6-8	9	50.00
3	Good	8-10	5	27.78
		Total	18	100.00

**Table 4:** Categorization of FPO based on 'the infrastructure facilities available'

S. No	Infrastructure facilities available	Yes		No	
		Number of FPOs	Percentage	Number of FPOs	Percentage of FPO's
1	Office building	15	83.33	3	16.67
2	Training centre	8	44.44	10	55.56
3	Grading facilities	4	22.22	14	77.78
4	Storage structures	7	38.89	11	61.11
5	Processing units	3	16.67	15	83.33
6	Own transport vehicle and cold storage units	0	0.00	18	100.00



E. Categorization of FPOs Based on Membership

Membership size plays a crucial role in determining the sustainability and business viability of Farmer Producer Organizations (FPOs). NABARD (2018) reports that 86% of FPOs under its support structure have 500 or fewer shareholders, while only 1% exceed 1,000 members. The optimum size for effective functioning is often considered to be between 500 and 1,000 members, though in practice, FPOs range from 200 to 1,100.

Analysis of sample data shows that a majority (55.56%) of FPOs had 201-500 members, followed by 33.33% with 501-1,000 members. Only 5.51% fell into the categories of either above 1,000 or 101-200 members. For instance, the ICAR-

D. Categorization of FPO based on the infrastructure facilities available

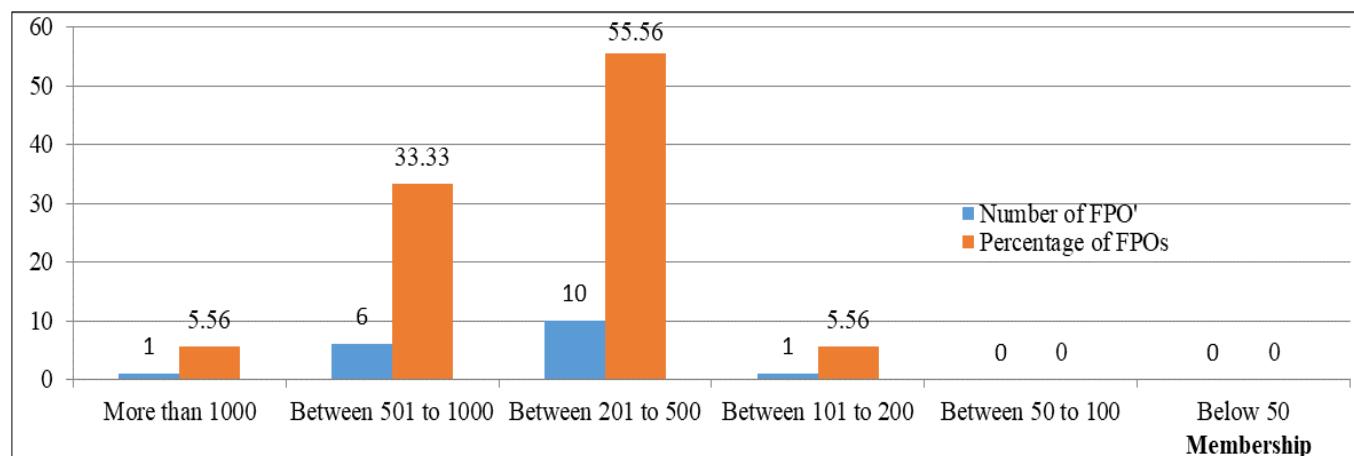
The study found a significant deficiency in infrastructure among the surveyed FPOs, which hinders their capacity to scale business operations and attract new members. While most FPOs (83.33%) possess an office building, and nearly half (44.44%) have a training center, a large majority lack crucial post-harvest infrastructure: 77.78% lack grading facilities, 61.11% lack storage structures, and 83.33% lack processing units. Furthermore, none of the FPOs own essential assets like cold storage or transportation vehicles for expanding their business networks and achieving market integration. The lack of sufficient capital and strong business models is a major impediment to the creation of these facilities. This finding highlights a critical need for substantial investment in physical assets to enable FPOs to move beyond basic services and engage in value-added activities that enhance profitability and sustainability.

IIOR-promoted FPO comprised 982 members, while NABARD-supported FPOs ranged between 238 and 786 members. The DNT-FPCL, promoted by the DHAN Foundation, demonstrated wider outreach by drawing members from 31 villages, contributing to a stronger capital base and enhanced business potential.

Previous studies (Govil *et al.*, 2020; Kanitkar & Ajit, 2016; Singh, 2016) [2, 4, 8] emphasize that many producer companies operate with minimal paid-up capital, often around ₹1 lakh, which is inadequate for substantial growth. Strengthening equity mobilization remains critical for improving member incomes and ensuring the long-term viability of FPOs.

Table 5: Categorization of FPO based on Membership

S. No	Number of farmers as shareholders Category	Max obtained score	Number of FPO's	Obtained score	Per centage of FPO's
1	More than 1000	10	1	10	5.56
2	Between 501 to 1000	8	6	48	33.33
3	Between 201 to 500	6	10	60	55.56
4	Between 101 to 200	4	1	4	5.56
5	Between 50 to 100	2	0	0	0.00
6	Below 50	1	0	0	0.00
		Total	18		100.00



F. Categorization of FPO's based on per cent of total members contributing to Share Capital

The results indicate from the Table 6 that all the members from all 18 FPO's were contributing to the share capital of

FPO's. These results were in similar with findings of Navya *et al.* (2022)^[5].

Table 6: Categorization of FPO's based on% of total members contributing to Share Capital

S. No	% of total members contributing to Share Capital	Max obtained score	Number of FPO'	Obtained score	Percentage of FPO's
1	>90%	5	18	90	100%
2	> 70%	4			
3	>60%	3			
4	>50%	2			
5	<50%	1			
6	>90%	5			

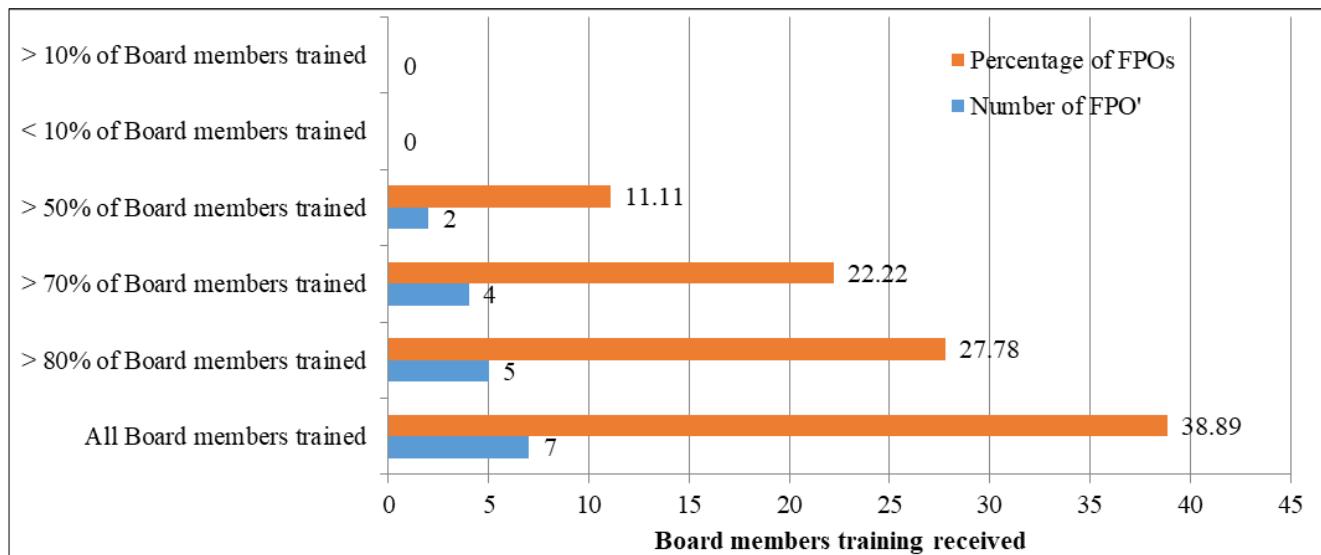
G. Categorization of FPOs Based on Training of Board Members

Training of board members is a critical factor in strengthening FPO governance. The analysis shows that 38.89% of board members were trained under programs organized by the Centre for Sustainable Agriculture in

collaboration with NABARD. Further, 27.78% had training exposure above 80%, 22.22% above 70%, and 11.11% above 50%. These results point to the need for broader and more uniform training to enhance the managerial capacity of FPO leadership.

Table 7: Categorization of FPO's based on Training of Board members

S. No	Training of Board members	Max obtained score	Number of FPO'	Obtained Score	Per centage of FPO's
1	All Board members trained	10	7	70	38.89
2	> 80% of Board members trained	8	5	40	27.78
3	> 70% of Board members trained	6	4	24	22.22
4	> 50% of Board members trained	4	2	8	11.11
5	< 10% of Board members trained	2	0	0	0.00
6	> 10% of Board members trained	0	0	0	0.00
		Total	18		100.00



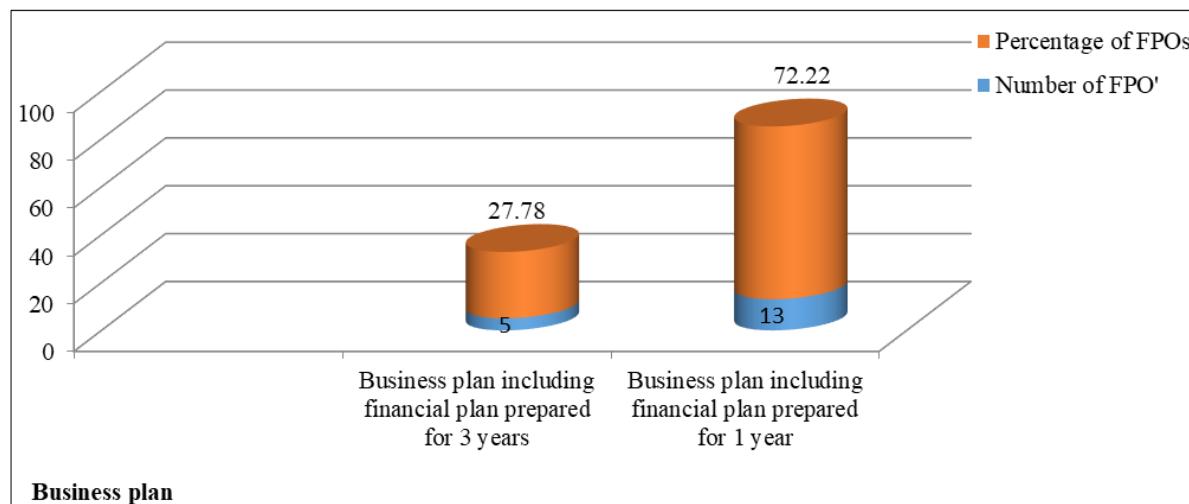
H. Categorization of FPOs Based on Business Plan

Business planning is a critical determinant of the long-term success of Farmer Producer Organizations (FPOs). As shown in Table 8, a majority of FPOs (72.22%) prepared business plans for only one year, while just 27.78% developed plans extending to three years.

A robust business plan enables estimation of costs, revenues, and investments required for establishing an FPO, while also outlining backward and forward linkages, value addition strategies, marketing approaches, and economies of scale. Despite its importance, nearly two-thirds of the sample FPOs had yet to undertake this crucial exercise, highlighting a significant gap in strategic preparedness.

Table 8: Categorization of FPO's based on Business plan

S. No	Business plan	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Business plan including financial plan prepared for 3 years	4	5	20	27.78
2	Business plan including financial plan prepared for 1 year	2	13	26	72.22
		Total	18		100.00



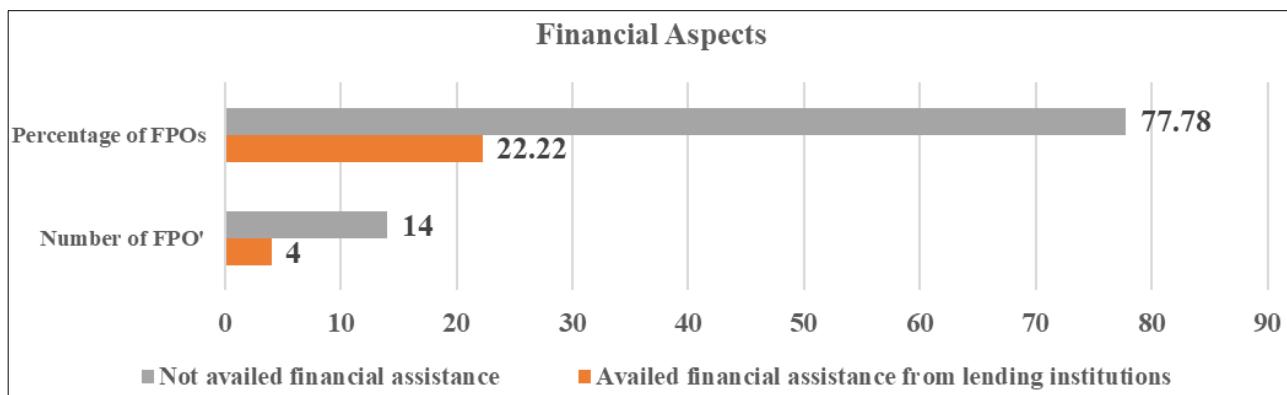
I. Categorization of FPOs Based on Financial Aspects

Financial support plays a vital role in the establishment and growth of Farmer Producer Organizations (FPOs). As presented in Table 9, the majority (77.78%) of FPOs had not received any financial assistance from lending institutions, while only 22.22% had accessed such support.

The study further reveals that nearly four-fifths of FPO representatives lacked awareness of capital mobilization opportunities under government schemes, leaving only 22.22% reasonably informed. Given that nurturing an FPO is a capital-intensive process, building financial awareness and improving access to institutional support are essential for ensuring their sustainability.

Table 9: Categorization of FPO's based on Financial Aspects

S. No	Financial Aspects	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Availed financial assistance from lending institutions	2	4	8	22.22
2	Not availed financial assistance	0	14	14	77.78



J. Categorization of FPOs Based on Annual Turnover

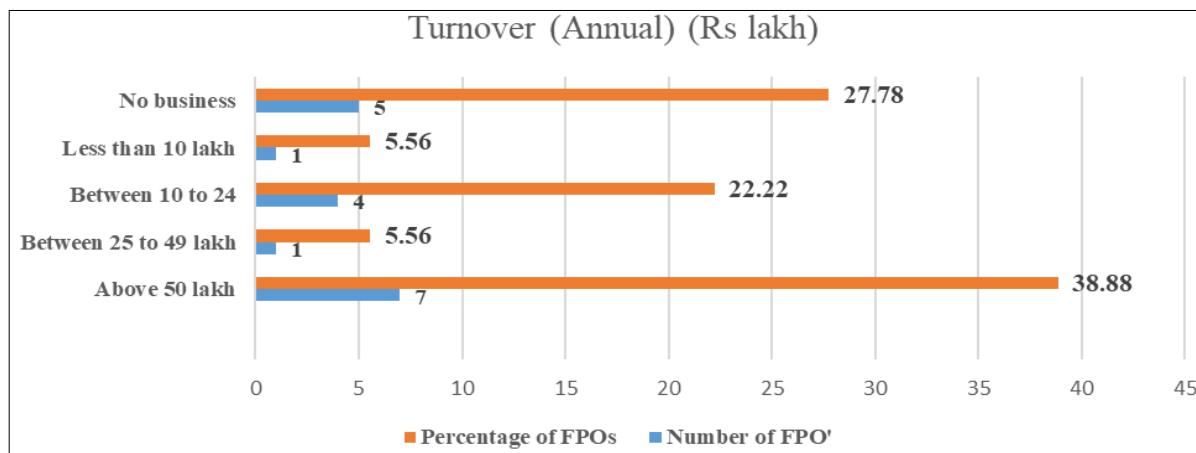
Annual turnover reflects the business strength and maturity of Farmer Producer Organizations (FPOs). As shown in Table 10, about 38.89% of FPOs reported turnovers above ₹50 lakh, while 27.78% had no business activity and recorded zero turnover. A further 22.22% reported turnovers between ₹10-24 lakh, and 5.56% each fell in the ranges of

₹25-49 lakh and less than ₹10 lakh.

Among the 18 FPOs studied, the DNT-FPCL stood out with a remarkable turnover of ₹14 crore, while most others remained in the early stages of formation without significant trading activities. This highlights the wide performance gap across FPOs and the need for strategies to accelerate their business growth.

Table 10: Categorization of FPO's based on Turnover (Annual) (Rs lakh)

S. No	Turnover (Annual) (Rs lakh)	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Above 50 lakh	10	7	70	38.88
2	Between 25 to 49 lakh	8	1	8	5.56
3	Between 10 to 24	6	4	24	22.22
4	Less than 10 lakh	3	1	05	5.56
5	No business	0	5	05	27.78
			18		100.00



K. Categorization of FPOs Based on Market Linkage

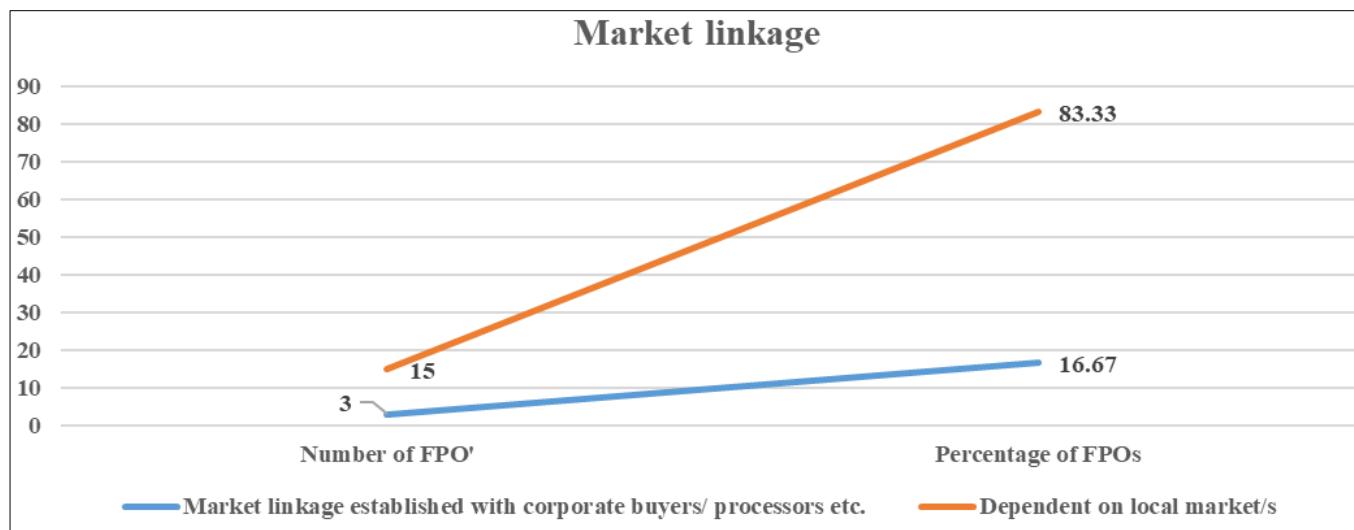
Market linkage is a critical factor in enhancing the profitability of Farmer Producer Organizations (FPOs). As per Table 11, a majority (83.33%) of FPOs depended on local markets to sell their produce, while only 16.67% had established linkages with cooperative buyers.

This heavy reliance on local markets can be attributed to limited storage facilities, inadequate infrastructure, transport

constraints, and price fluctuations. As most FPOs were recently established, marketing initiatives remained minimal. Strengthening market linkages, therefore, presents a significant opportunity for improving FPO performance. Similar findings were reported by Amitha (2021) ^[1] and Kandeeban *et al.* (2017) ^[3].

Table 11: Categorization of FPO's based on Market linkage

S. No	Market linkage	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Market linkage established with corporate buyers/ processors etc.	4	3	12	16.67
2	Dependent on local market/s	2	15	30	83.33
		Total	18		100.00



L. Categorization of FPOs Based on Members Availing Services

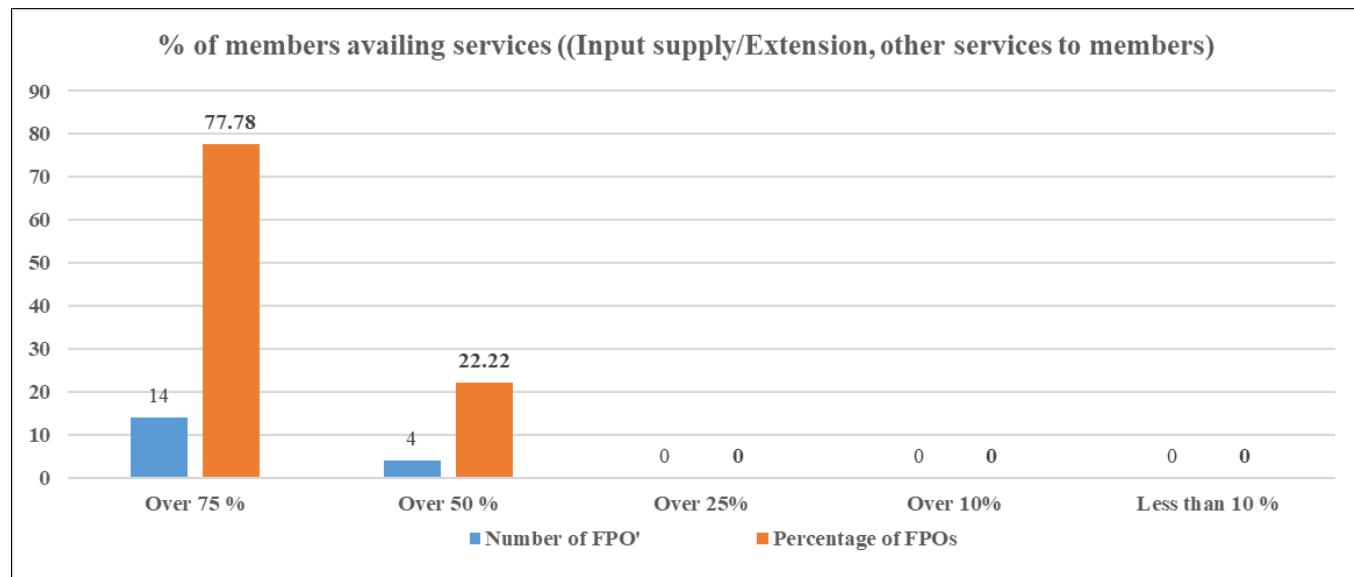
Access to services such as input supply and extension is central to the effectiveness of Farmer Producer Organizations (FPOs). As shown in Table 12, the majority (77.78%) of FPOs provided input supply and extension

services to over 75% of their members, while the remaining 22.22% catered to over 50% of members.

These findings highlight the active role of FPOs in service delivery, ensuring member participation and benefits. Comparable results were reported by Patkar *et al.* (2012)^[6] and Singh (2012)^[7], emphasizing the importance of service provision in sustaining member engagement.

Table 12: Categorization of FPO's based on% of members availing services (Input supply/Extension, other services to members)

S. No	% of members availing services (Input supply/Extension, other services to members)	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Over 75%	10	14	140	77.78
2	Over 50%	8	4	48	22.22
3	Over 25%	6	0	0	00.00
4	Over 10%	3	0	0	00.00
5	Less than 10%	0	0	0	00.00
		Total	18		100.00



M. Categorization of FPOs Based on Convergence with Government Schemes and Corporates

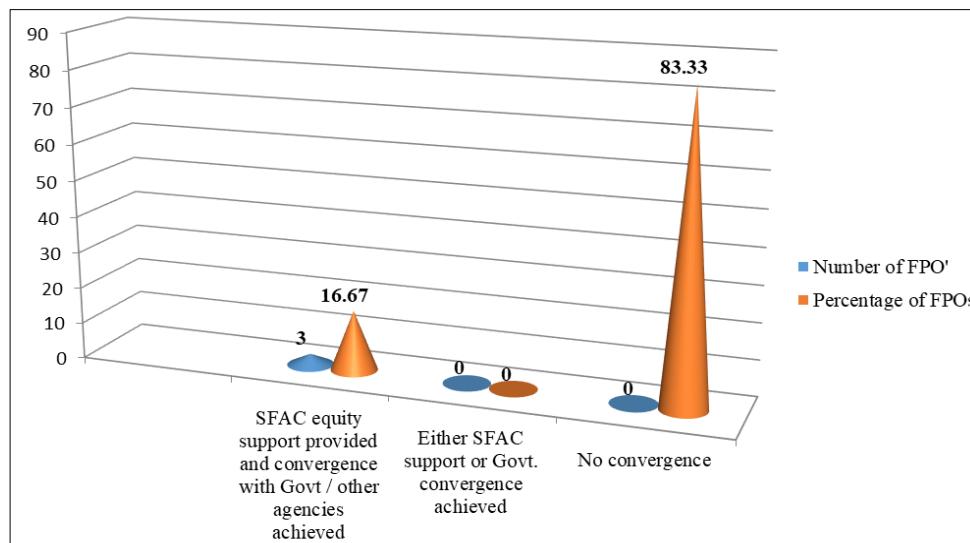
Convergence with government schemes and corporate institutions is vital for strengthening Farmer Producer Organizations (FPOs). As per Table 13, the majority of FPOs (83.33%) had no linkages with government schemes or corporates, while only 16.67% had established

connections, mainly with People Mutual Insurance and the Agri Infrastructure Fund scheme.

This limited convergence can be attributed to the fact that most FPOs are newly formed and require time to demonstrate profitability and growth before building partnerships with seed distributors, manufacturers, and institutional schemes. Strengthening these linkages remains a key area for future development.

Table 13: Categorization of FPO's based on convergence with Govt. Schemes / corporates etc.

S. No	Convergence with Govt. Schemes / corporates etc.	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	SFAC equity support provided and convergence with Govt / other agencies achieved	5	3	15	16.67
2	Either SFAC support or Govt. convergence achieved	3	0	0	0.00
3	No convergence	0	15	0	83.33



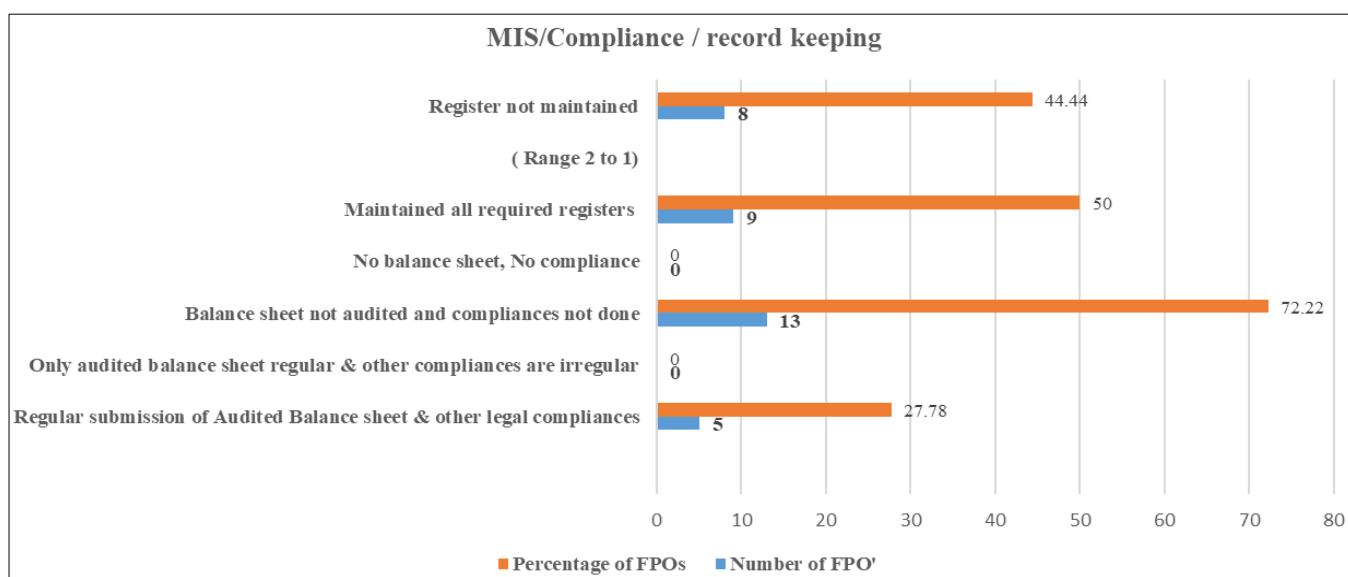
N. Categorization of FPOs Based on MIS, Compliance, and Record Keeping

Efficient record keeping and compliance are critical for the credibility and sustainability of Farmer Producer Organizations (FPOs). As per Table 14, a majority (72.22%) of FPOs had neither audited balance sheets nor compliance reports, while only 27.78% regularly submitted these statutory documents.

In terms of record maintenance, over 50% of FPOs maintained the required registers, whereas 44.44% failed to do so. These findings highlight significant gaps in compliance and documentation practices, underscoring the need for capacity building and stricter adherence to regulatory requirements.

Table 14: Categorization of FPO's based on MIS/Compliance / record keeping

S. No	MIS/Compliance / record keeping	Max obtained score	Number of FPO'	Obtained score	Per centage of FPO's
1	Regular submission of Audited Balance sheet & other legal compliances	3	5	15	27.78
2	Only audited balance sheet regular & other compliances are irregular	2	0	0	0.00
3	Balance sheet not audited and compliances not done	1	13	13	72.22
4	No balance sheet, No compliance	0	0	0	0.00
5	Maintained all required registers (Range 2 to 1)	2	9	18	50.00
69	Register not maintained	0	8	0	44.44



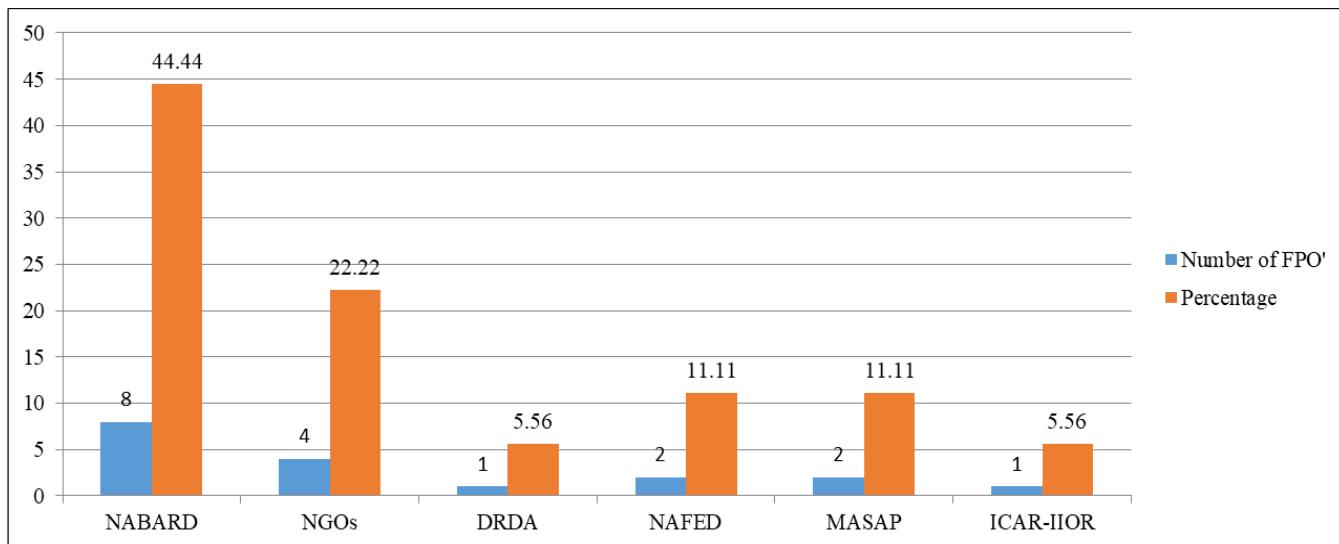
O. Categorization of FPOs Based on Promoting Institution

Promoting institutions play a crucial role in the establishment and growth of Farmer Producer Organizations (FPOs). As shown in Table 15, nearly half of the sampled FPOs (44.44%) were facilitated by NABARD, followed by 22.22% promoted by NGOs and charity foundations. Additionally, 11.11% were supported by agencies such as the Andhra Pradesh Mahila Abhivrudhi Society (APMAS) and NAFED.

While most focal persons of the sampled FPOs were aware of the role of Producer Organization Promoting Institutions (POPIs), only about half understood the functions of Resource Support Agencies (RSAs). These findings suggest that the broader concept of FPOs and the roles of various stakeholders have not fully reached the grassroots level, particularly among small and marginal farmers. This highlights the urgent need for greater awareness and sensitization efforts among both farmers and stakeholders to ensure effective functioning of FPOs.

Table 15: Categorization of FPO based on promoting institute

S. No	Promoting institute	Number of FPO'	Per centage
1	NABARD	8	44.44
2	NGOs	4	22.22
3	DRDA	1	5.56
4	NAFED	2	11.11
	MASAP	2	11.11
5	ICAR-IIOR	1	5.56
	Total	18	100.00



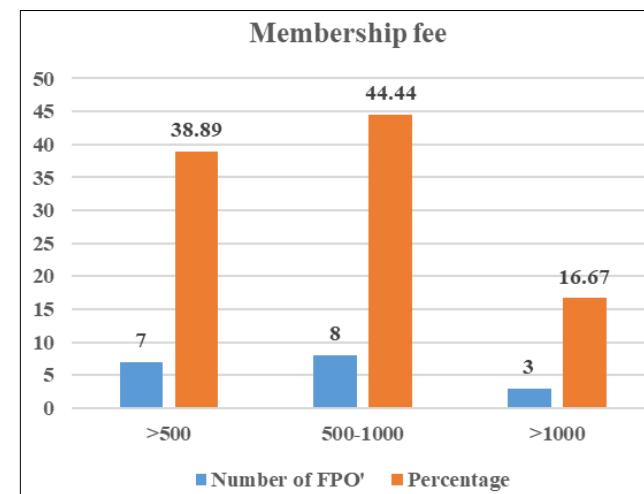
P. Categorization of FPOs Based on Proposed Membership Fee

Membership structure and share value decisions reflect the financial planning and inclusivity of Farmer Producer Organizations (FPOs). Findings from Table 16 show that a majority (44.44%) of FPOs targeted a proposed membership range of 500-1,000 farmers, while 16.67% aimed for memberships above 1,000, and 38.89% planned for fewer than 500 members.

The proposed unit share values varied across sub-sectors and organizations. Most FPOs fixed membership at ₹50 or its multiples, while some adopted ₹100 or higher multiples. These variations suggest that while FPOs are experimenting with flexible membership models, a balanced approach to shareholding and inclusivity remains essential for their sustainability.

Table 16: Categorization of FPO's based on proposed membership fee

S. No	Membership fee	Number of FPO'	Per centage
1	>500	07	38.89
2	500-1000	08	44.44
3	>1000	03	16.67



Q. Categorization of FPOs Based on Type of Licenses

Licensing is a prerequisite for Farmer Producer Organizations (FPOs) to engage in regulated business activities. As presented in Table 17, the majority of FPOs possessed fertilizer storage and sale licenses (88.89%), seed storage and sale licenses (88.89%), and pesticide storage and sale licenses (83.33%). In contrast, only 33.33% had

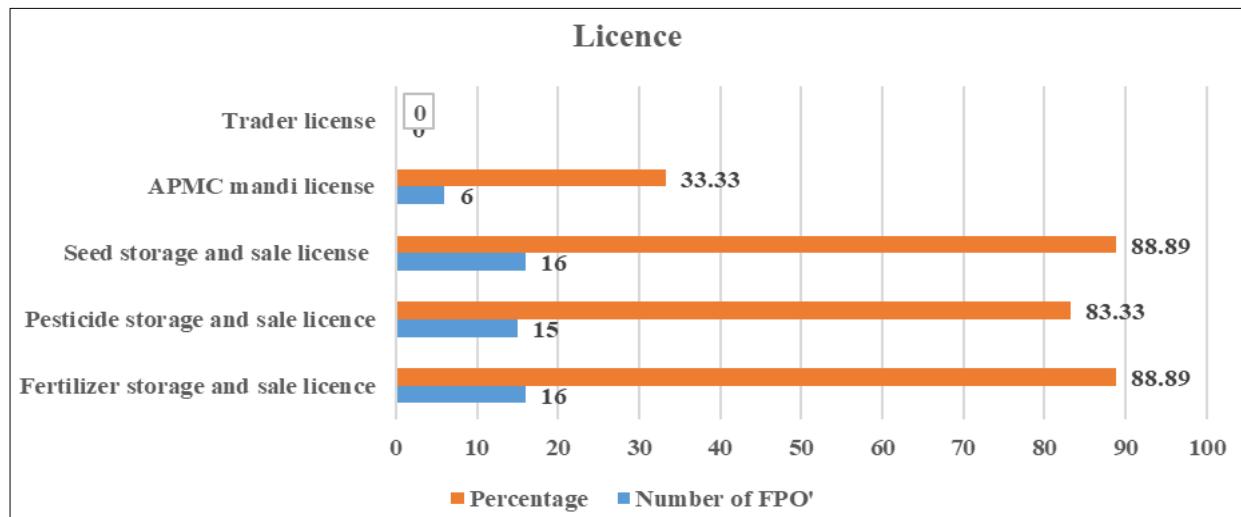
obtained APMC mandi licenses, and none possessed their own trader license. Among the 18 FPOs studied, gaps in licensing were observed. For instance, Vyapana FPC and Sirivennela FPC lacked fertilizer licenses, while three FPOs—Vyapana FPC, Sirivennela FPC, and Kakathiya Raithu Uthpathidharula Seva Mariyu Marketing Paraspala Sahakara Sangam—were without pesticide licenses. Similarly, Sirivennela FPC and

Kakathiya FPC did not hold seed licenses. Only five FPOs, including Aadarsa Samaikya and Kamareddy Progressive FPC, had secured APMC licenses.

These findings indicate that while most FPOs comply with licensing for agri-inputs, significant gaps remain in access to mandi and trader licenses, limiting their ability to expand into direct marketing and trading activities.

Table 17: Categorization of FPO's based on the type of licenses owned by FPO

S. No	Licence	Number of FPO'	Per centage
1	Fertilizer storage and sale licence	16	88.89
2	Pesticide storage and sale licence	15	83.33
3	Seed storage and sale license	16	88.89
4	APMC mandi license	6	33.33
5	Trader license	0	0.00



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