FPOs Challenges, NAAS Policy Paper Recommends Government Aid

April 28, 2026 • vajiramandravi.com

A 2026 policy paper by the National Academy of Agricultural Sciences (NAAS) notes that Farmer Producer Organisations (FPOs) in India continue to face structural constraints such as limited capital, weak infrastructure, and inadequate managerial capacity. It recommends targeted state support, including easier access to credit, simplified regulatory compliance, and assured institutional procurement to strengthen their sustainability.

Key Challenges Faced by FPOs (NAAS 2026)

The National Academy of Agricultural Sciences (NAAS) 2026 policy paper highlights the following challenges faced by **Farmer Producer Organisations** **(FPOs)**:

1. **Financial Constraints**

- FPOs face limited access to institutional credit due to absence of collateral mechanisms.
- Weak turnover and low initial revenue reduce confidence of banks in lending to FPOs.
- Lack of strong and viable business plans restricts financial sustainability.
- Heavy dependence on government or external grants weakens long-term self-reliance.

2. **Weak Managerial and Governance Capacity**

- Many FPOs lack adequate managerial, entrepreneurial, and leadership skills.
- Weak internal governance structures lead to inefficient decision-making.
- Absence of professional management reduces operational efficiency and competitiveness.
- Limited capacity-building support from promoting agencies constrains institutional growth.

3. **Market Linkage Challenges**

- FPOs remain weakly integrated with organised markets and value chains.
- Dependence on intermediaries reduces farmers' share in final consumer prices.
- Limited bargaining power affects price realisation and income stability.
- A small membership base restricts economies of scale and market competitiveness.

4. **Infrastructure and Technical Gaps**

- Inadequate storage, grading, and processing facilities increase post-harvest losses.
- Poor logistics and supply chain infrastructure restrict market access.
- Limited access to modern agricultural technologies reduces productivity and efficiency.
- Weak extension services and technical advisory support limit operational improvement.

5. **Structural and Institutional Limitations**

- Low membership base weakens collective bargaining strength.
- Fragmented organisational structures hinder scalability and expansion.
- Inconsistent institutional support affects continuity of performance.
- Limited digital integration reduces transparency, monitoring, and efficiency.

Key Policy Recommendations by NAAS

Farmer Producer Organisations require a coordinated policy push combining institutional, financial, and technological reforms to achieve scale, sustainability, and market integration.

1. **Strengthening Institutional Procurement**

- Institutional buyers such as **Food Corporation of India (FCI)**, Railways, and Defence should prioritise procurement from FPOs.
- This will ensure the consistent delivery of high-quality goods and significantly reduce transaction costs associated with market searches.

2. **Financial Sector Reforms**

- Improve access to collateral-free credit for FPOs.
- Strengthen financial literacy among FPOs and banking institutions.
- Develop improved credit appraisal systems for small agribusinesses.
- Promote blended finance models combining public funding and private investment.

3. **Simplification of Compliance Framework**

- The NAAS recommended that the Ministry of Agriculture needs to collaborate with the Ministry of Corporate Affairs to review and simplify compliance requirements of the FPOs.

4. **Strengthening Capacity Building**

- Expand structured training programmes for FPO leadership and management.
- Strengthen mentoring role of promoting agencies.
- Focus on business planning, marketing, and financial management skills.
- Promote professionalisation of FPO governance systems.

5. **Digital and Data Infrastructure Development**

- Implement nationwide digitisation of FPO data and operations.
- Improve transparency and accountability in transactions.
- Enable real-time access to market prices and information.
- Integrate FPOs into broader digital agriculture ecosystems.

6. **Market and Industry Linkages**

- Establish a national-level business development agency for FPO support.
- Strengthen direct linkages between FPOs and industries.
- Promote contract farming and forward linkage arrangements.
- Facilitate integration into retail chains and export markets.

7. **Integration with Emerging Agricultural Technologies**

- Promote participation of FPOs in climate-smart agriculture initiatives.
- Encourage adoption of AI-based agricultural solutions.
- Support use of IoT devices, drones, and precision farming tools.
- Enable access to climate finance and carbon market opportunities.

8. **Structural and Investment Reforms**

- Encourage private equity participation in FPO ecosystems.
- To facilitate the infusion of private equity, the NAAS asked the Government to establish new entities similar to **Farmer Producer Companies (FPCs)** under the Companies Act.
- Promote transition of FPOs from welfare units to agri-enterprise models.

Source: https://vajiramandravi.com/current-affairs/fpos-challenges/