2025

STUDY ON FARMER PRODUCER ORGANISATIONS (FPOS) IN ARUNACHAL PRADESH

Study conducted by

Study commissioned by

Contents

LIST OF ABBREVIATIONS 4
EXECUTIVE SUMMARY 5
CHAPTER 1: INTRODUCTION AND METHODOLOGY 6
1.1 Introduction 6
1.1.1 Context and rationale 6
1.1.2 Objectives of the Study 6
1.1.3 Geographical and Sectoral coverage 7
1.2. Methodology 7
1.2.1 Research Approach 7
1.2.2. Sampling methodology and sample size 8
1.2.3 Data Collection 8
1.2.4 Data Analysis 9
1.2.5 Limitation of the study 9
CHAPTER 2: FINDINGS OF THE STUDY 10
2.1 Section 1: Formation, Governance & Support Received 10
2.1.1 Formation and overview of the FPOs 10
2.1.2 Institutional support received by FPOs during early stages 12
2.1.3 Governance & decision making 14
2.2 Section 2: Business activities of the FPOs 15
2.2.1 Key commodities and shareholder engagement 15
2.2.2 Business activities of the FPOs 16
2.2.3 Capacity building of FPOs 18
2.2.4 Management & Business challenges 18
2.2.5 Benefits created for the shareholders 20
2.3 Section 3: Finance 20
2.3.1 Revenue and profits of the FPOs 20
2.3.2 Access to credit 21
2.3.3. Working capital 22
2.4 Section 4: Infrastructure & Machinery 23
2.4.1 Infrastructure availability and type 23
2.4.2 Source of funding for infrastructure & machinery 23
2.4.3 Use of solar energy 24
CHAPTER 3: ANALYSIS AND DISCUSSION 25
3.1 Section 1: Formation, Governance & Support Received 25
3.2 Section 2: Business activities of the FPOs 26

3.3 Section 3: Finance 28
3.4 Section 4: Infrastructure & machinery 29
3.5 Section 5: Major Challenges faced by the FPOs 30
CHAPTER 4: KEY RECOMMENDATIONS AND CONCLUSION 33
4.1 Recommendations 33
4.2 Conclusion 34

ACKNOWLEDGEMENTS

SELCO Foundation extends its sincere gratitude to **IDEANE** for their valuable expertise and dedicated efforts in conducting this study across Arunachal Pradesh and supporting the preparation of this report.

We are grateful to the State Government Department(s), Partner Organisation(s), FPO Promotion Agencies/CBBOs, and other key stakeholders for their guidance, insights, and continued support throughout the study. Their perspectives and contributions have been instrumental in shaping the findings and recommendations presented in this report.

We would like to express our heartfelt appreciation to the Farmer Producer Organisations (FPOs), their Board of Directors, Chief Executive Officers, member farmers, and other ecosystem actors who generously shared their time, experiences, and perspectives. Their participation provided invaluable insights into the opportunities, challenges, and aspirations of the FPO ecosystem in Arunachal Pradesh.

We also acknowledge the support of Implementing Partner/Facilitating Organisation and local stakeholders who facilitated field visits, stakeholder consultations, focus group discussions, and interactions with FPOs and farming communities. Their assistance enabled meaningful engagement and enriched the quality of this study.

This report is the result of collective effort, collaboration, and shared commitment from all individuals and institutions involved. We deeply appreciate their contributions and support.

This report is intended to serve as a resource for policymakers, development practitioners, FPO promotion agencies, financial institutions, market actors, and researchers working to strengthen the FPO ecosystem and enhance the livelihoods of small and marginal farmers in Arunachal Pradesh and across the North Eastern Region. The insights presented aim to support evidence-based decision-making and contribute to the development of resilient, inclusive, and sustainable farmer-owned enterprises.

LIST OF ABBREVIATIONS

AGM	Annual General Meeting
APST	Arunachal Pradesh Scheduled Tribe
ArSRLM	Arunachal Pradesh State Rural Livelihoods Mission
BoD	Board of Directors
CBBO	Cluster Based Business Organisation
FDRVC	Foundation for Development of Rural Value Chains
FPC	Farmer Producer Company
FPO	Farmer Producer Organisation
MOVCD-NER	Mission Organic Value Chain Development- North East Region
NABARD	National Bank for Agriculture and Rural Development
NEIDA	Northeast Initiative Development Agency
NERAMAC	North East Regional Agricultural Marketing Corporation Limited
NGO	Non-Governmental Organisation
NOSAP	Namsai Organic Spices and Agricultural Products Producer Company
PODF-ID	Producer Organisation Development Fund – Interest Differential
POPI	Producer Organisation Promoting Institution
SFAC	Small Farmers' Agri-Business Consortium

EXECUTIVE SUMMARY

This study provides a comprehensive assessment of the current landscape, challenges, and opportunities for Farmers Producer Organizations (FPOs) in Arunachal Pradesh. Conducted covering eight districts of the state from different regions, the study encompassed 20 FPOs and engaged key stakeholders including FPOs, farmer members, government departments, CBBOs, NGOs, and financial institutions. The research employed a mixed-method approach combining surveys, field visits, and interviews to understand the formation, governance, financial health, business practices, and support systems influencing the effectiveness and sustainability of FPOs in the state.

The findings reveal that while government and institutional support has played a pivotal role in the formation and early-stage development of FPOs, many continue to face challenges with weak governance & leadership, limited business activities, and inadequate market linkages. A significant number of FPOs remain dependent on promoting institutions, with some of the FPOs demonstrating profitability and prospect of operational sustainability.

The business operations of most of the FPOs are largely limited to commodity aggregation and sales to local traders, with minimal value addition or direct linkage to larger markets. This has led to weak shareholder engagement, as farmers find limited benefits in channelling their produce through the FPOs. Infrastructure and machinery support requirement is expressed by the FPOs but there is a need to align the machinery with actual business need. The absence of renewable energy solutions compounds challenges in energy reliability, particularly in remote regions.

The study recommends strengthening institutional support during the formation phase, building the leadership and governance capacity of BoDs and CEOs, and facilitating access to working capital and credit. It also emphasizes the importance of clear and actionable business plans, robust market linkages, and tailored support for renewable energy and relevant farm machinery. These interventions can potentially enhance the resilience and inclusivity of FPOs, ultimately contributing to sustainable livelihoods in Arunachal Pradesh.

CHAPTER 1: INTRODUCTION AND METHODOLOGY

1.1 Introduction

1.1.1 Context and rationale

The study on Farmers Producer Organizations (FPOs) in Arunachal Pradesh was undertaken to develop a comprehensive and evidence-based understanding of the current state of the organisations, business activities, financial health, challenges, and growth opportunities of FPOs. FPOs, including Farmer Producer Companies, and Cooperatives supported by various Cluster-Based Business Organizations (CBBOs), and Resource Institutions (RIs) have emerged as key institutional mechanisms to strengthen rural livelihoods and improve the socio-economic conditions of small and marginal farmers. In the context of the Northeast, which is characterized by remote geographies, socio-political diversity, and infrastructural gaps, the role of FPOs becomes even more significant. These organizations not only serve as platforms for collective action and market access but also hold potential for introducing climate-resilient practices and sustainable technologies.

Despite policy momentum and funding support from central and state governments as well as non-governmental actors, FPOs in the region often operate under constrained conditions. They face multiple challenges such as weak governance structures, limited access to financial services, low capacity for enterprise development, and poor integration into broader institutional ecosystems. Many of them are also grappling with the implications of evolving regulatory frameworks and minimal exposure to modern technology and renewable energy solutions.

This study seeks to understand these gaps by generating insights into the existing landscape of FPOs and understanding the varied experiences of these collectives. It aims to map and profile FPOs across the three selected states, assess their governance mechanisms, financial and business viability, operational capacities, and engagement with ecosystem stakeholders such as government departments, financial institutions and NGOs. Another focus of the study was also to explore how FPOs can better adopt sustainable livelihood practices, particularly in alignment with SELCO Foundation’s thematic areas around decentralized renewable energy, livelihood resilience, and inclusive development. By drawing on both quantitative data and qualitative field insights, the study has come up with actionable knowledge that can support programmatic planning, policy formulation, and targeted interventions to strengthen FPOs in the state of Arunachal Pradesh.

1.1.2 Objectives of the Study

The specific objectives of this study were to:

- Develop a database of all relevant organizations (FPOs, FPCs, CBBOs, POPIs, Cooperatives etc) in the Northeast States of Arunachal Pradesh, Nagaland and Sikkim providing an overview of the existing landscape.

- Develop a nuanced understanding of the governance structures, grading mechanisms, financial health, and credit access across the three states.
- Build a knowledge base and insights from a representative sample to identify key learnings, challenges, and areas for future development
- Recommendations need to keep in mind SELCO Foundation's core areas of work and opportunities through engagement with FPOs

1.1.3 Geographical and Sectoral coverage

The study covered the state of Arunachal Pradesh. Within the state, the study ensured that there is geographical representation of FPOs spread in different regions and districts. The target population for the study were primarily the representatives of livelihood sector FPOs (Governing body members, leadership & management team and members) and the ecosystem stakeholders such as- government institutions, departments, CBBOs and Non-profit Organisations. The study covered FPOs in the state based on the databases of the institutions and organisations with whom they are registered and being promoted. The livelihood sectors covered in the study include- Agriculture and allied, Handloom, and Fishery.

Data collection involved reaching out to FPOs at different stages of organisational maturity and operational scale. It included both emerging and few established entities to capture a range of experiences and capacities. Within each FPO, interactions were held with governing body members, leadership and management teams, and general members to gain a comprehensive perspective on internal governance, decision-making processes, and on-ground challenges. In addition to the FPO members, the study also engaged key ecosystem actors such as Cluster-Based Business Organizations (CBBOs), government departments, financial institutions, and civil society organizations. These stakeholders play a pivotal role in shaping the operational environment of FPOs, and their insights were critical in understanding the support systems, policy environments, and institutional linkages that influence the effectiveness and sustainability of FPOs in these states.

1.2. Methodology

1.2.1 Research Approach

The study followed an exploratory design, using a mixed-method approach combining qualitative and quantitative research methods. The mixed method of quantitative and qualitative methods for the study led to a comprehensive understanding of the current state of the FPOs, the challenges and the possible opportunities. The quantitative data helped in coming up with the database of the FPOs in the state and profiling of these FPOs based on different criteria, as well as to gain quantitative insights on aspects such as size of the FPOs, financials, business transactions etc. The qualitative data helped in getting a nuanced understanding of the factors such as governance system, management within the FPOs, as well as the challenges and opportunities. The qualitative data also helped in understanding the existing support ecosystem for the FPOs and their effectiveness. With regard to data collection, both primary as well as secondary data were collected as a part of the study. Primary data collection was done from representatives and members of the FPOs, as well as from the ecosystem stakeholders such as government departments, POPIs, CBBOs and Non-Profit Organisations supporting FPOs. Secondary data with regard to the database of FPOs was collected from important stakeholders such as Government Departments and Institutions.

1.2.2. Sampling methodology and sample size

A purposive sampling method was used to ensure diversity in terms of geography, sector, size, and institutional support mechanisms. The selection criteria prioritised active FPOs with varying levels of maturity, market engagement, and operational models. A sample of 20 FPOs from different regions and 8 districts of the state were covered in the study.

Sl. No.	District	No. of FPOs covered
1	Lower Subansiri	3
2	Kurung Kumey	3
3	Papum Pare	2
4	Changlang	4
5	Namsai	2
6	East Kameng	1
7	East Siang	2
8	Lower Dibang Valley	3
Total		**20**

1.2.3 Data Collection

Primary Data Collection

- **Online Survey**: Structured online surveys were administered to a purposive sample of 20 FPOs in the state. The survey captured data on aspects such as registration, supporting institution, governance, business & financial practices, infrastructure and challenges faced by the FPOs.
- **Key Informant Interviews**: 20 In-depth interviews were conducted with Directors, CEOs and shareholders of FPOs. 6 in-depth interviews were conducted with POPI/CBBO representatives, financial institutions, government officials and other NGOs to gather qualitative insights on enabling factors and challenges. These KIIs were conducted both in-person and through telephone calls.
- **Field Visits**: Field visits were made to 12 FPOs in State to observe operational setups, infrastructure, and to document member perspectives.

Secondary Data Collection

Secondary data was sourced from institutional records, registration databases, previous studies, and literature on FPOs in the region. These sources supported the development of a state-wise profile of livelihood-based FPOs.

1.2.4 Data Analysis

Quantitative Analysis**-** The quantitative component of the study relied on descriptive statistical tools to examine and interpret patterns across key operational and financial parameters of the FPOs. Variables such as membership size, annual revenues, access to formal and informal financial services, and the ownership of physical and infrastructural assets were analysed to construct a foundational understanding of the organizations' scale and economic standing. To assess financial health more specifically, indicators such as revenue, profits, working capital, utilization of credit and loans, and repayment were examined.

Qualitative Analysis**-** In parallel, the study employed a qualitative research design to deepen the understanding of organizational practices, stakeholder relationships, and context-specific challenges. A thematic analysis approach was used to interpret data gathered through in-depth interviews and focus group discussions with FPO members, leadership teams, and relevant ecosystem actors. Key themes explored included governance mechanisms, leadership dynamics, institutional accountability, market access, financial linkages, and infrastructural or technological constraints. Through this approach, the study was able to capture perspectives of FPO stakeholders, offering insights into how these organizations function beyond what numerical data could convey. To enhance the credibility and reliability of the findings, a process of data triangulation was employed this involved cross-verifying information obtained from different types of respondents and sources, thereby ensuring a well-rounded and validated analysis.

1.2.5 Limitation of the study

- Although database of a large number of FPO were got from Government Departments & Institutions which register and promote FPOs, it was found that many of those were not operational. As such, initially, it was a challenge to identify the 20 sample FPOs as most of the FPOs had reported that they were not operational.
- Contacting the FPOs was also a challenge as many of the contact numbers given in the database were not working and some of the individuals whose contact details were provided were not part of the respective FPOs anymore. A decision to then prioritise the FPOs promoted by NABARD, SFAC, Agriculture Department and Non-Government Organisations for the sample, yielded better responses from the FPOs.
- Many FPOs were not very open to be part of the study or share information related to their FPO, which delayed the data collection process. Many of the FPOs were reluctant to share internal information such as business plans, exact turnover and profit figures, loan repayment details etc. However, all of the FPOs had shared details in ranges in the quantitative online questionnaire, which was used in the study.

CHAPTER 2: FINDINGS OF THE STUDY

The findings of the study are classified into four sections as are listed below-

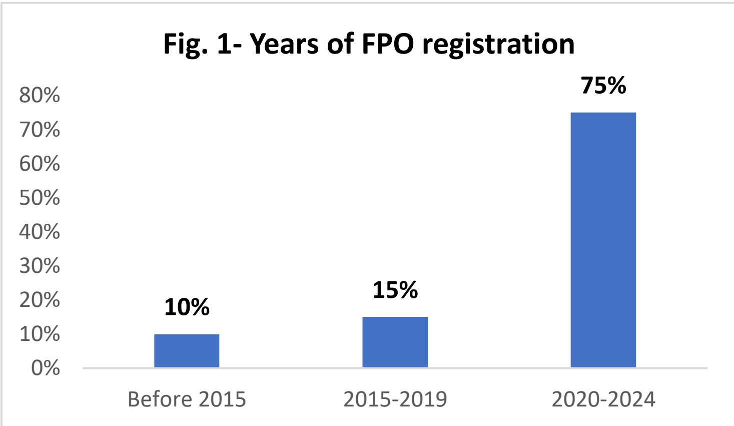
- **Section 1: Formation, Governance & Support Received**
  This section covers the details of incorporation and the support received by the FPO's. The findings related to the governance and systems of the FPOs have also been covered here.

- **Section 2: Business activities**
  The business activity related findings have been summarised in this section, such as- commodities covered, value chain activities, shareholder engagement, value addition, marketing etc.

- **Section 3: Finance**
  This section covers aspects of revenue, profitability, working capital, and credit access for FPO's.

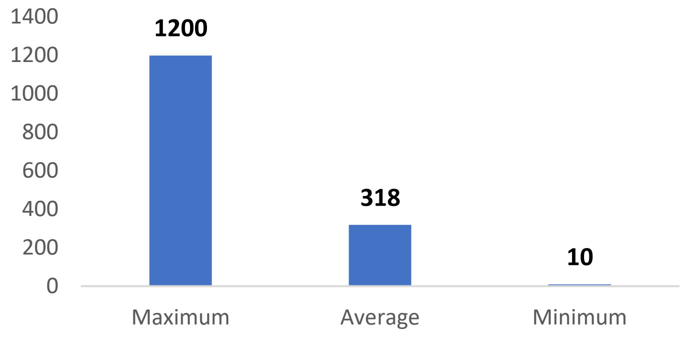
- **Section 4: Infrastructure and Machinery**
  The matters related to the infrastructure of the FPO and the mechanisation of the production process is being captured. In this section use of solar and other forms of renewable energy is also covered.

2.1 Section 1: Formation, Governance & Support Received



2.1.1 Formation and overview of the FPOs- As can be seen in Figure 1, 90% of the FPOs covered under the study in Arunachala Pradesh were formed in the last ten years (2015-2024). A large number of FPOs (75%) were formed in the last 5 years (2020-2024). This is because crucial Central Sector schemes for the formation and promotion of FPOs, such as- Central Sector Scheme for Formation and Promotion of 10,000 FPOs, Mission Organic Value Chain Development – North East Region (MOVCD-NER) and Producer Organisation Development Fund – Interest Differential (PODF-ID). These schemes were initiated and supported by the Ministry of Agriculture and Farmers Welfare and National Bank for Agriculture and Rural Development (NABARD). It was shared by the respondents that the BoD and members did not know much about FPOs before registration, and that usually it is the Government Departments / Institutions, Government officials, POPIs or NGOs who advised and motivated the members to form FPOs. A few of the FPOs engaged private consultants to help them in the paper work and registration process. The members and BoD were motivated to form the FPOs due to the expectation of better market and prices for their produce, but also due to the prospect of receiving subsidies, input support and grants from Government Departments.

Fig. 2- Numbers of shareholders in FPOs



As seen in Figure 2, on an average the FPOs have 318 shareholders. The FPO with the higher number of shareholders is Dibang Agro Farmer Producer Company in Lower Dibang Valley district with 1200 members; the FPO with lowest number of shareholders is Nongtham Handloom Cluster Producer Company Ltd. with 10 shareholders. Due to the sparse population and hilly topography of Arunachal Pradesh, the average number of shareholders is comparatively low. It was found in the study that the members contributed Rs. 1000 to Rs. 2000 for the shares, with the price per share ranging from Rs. 10 per share to Rs. 100 per share. In most of the FPOs, the Directors contributed the same amount as the other shareholders, however in a few of the FPOs Directors contributed higher amount up to Rs. 10,000 per Director, by purchasing more shares. In Cooperatives, the shareholders paid an additional registration fee of Rs. 50 to Rs. 100. Some of the basic criteria to be shareholders in the FPO were that they need to be farmers, need to have bank account and Aadhar registration and in some cases to be a member of a Farmer Interest Group. In some of the women focussed FPOs, only women were allowed to be shareholders.

Figure 3 shows that out the FPOs covered in the study, 80% are dealing in agricultural & horticultural commodities such as- Large Cardamom, Kiwi, Orange, Ginger, Turmeric, Areca Nut, Rice, Mustard, Persimmon, Pineapple, Mustard, Soya bean and others. 15% of the FPOs deal in handloom products and just 5% deal in fisher. Horticultural products such as Kiwi, Orange, Large Cardamom, Ginger and Turmeric have been promoted by the Government Departments.

Fig. 3- Sectors of the FPOs

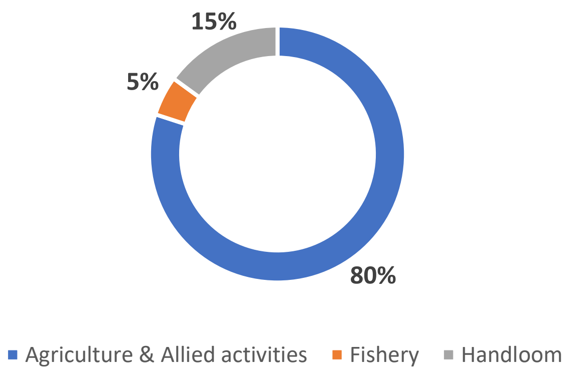
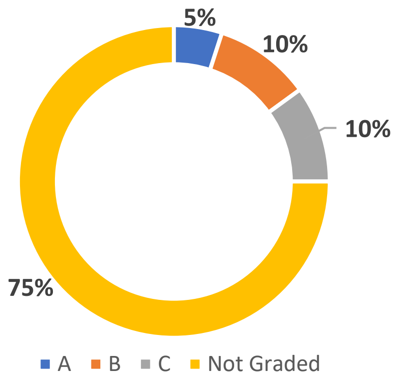


Fig. 4- Grades received by FPOs



Only 25% of the FPOs had been graded by any institutions, out of which just 5% received A grade, and 10% each received B grade and C Grade. All the 5 FPOs which had been graded were being promoted by institutions such as NABARD and NERAMAC.

2.1.2 Institutional support received by FPOs during early stages: In the study, 60% of the FPOs covered under the study are registered as Farmer Producer Company (FPC) and 40% are registered as Farmers Cooperative Society. However, it can be seen that in Arunachal Pradesh the Government Departments and Institutions are promoting and supporting the Farmer Producer Companies over the FPOs registered as Cooperative Societies. This is evident from the fact that, only 38% of the FPOs registered as Cooperative Society received Government support, where as 92% of the FPOs registered as Farmer Producer Company received Government support.

Fig. 5- Form of FPO registration

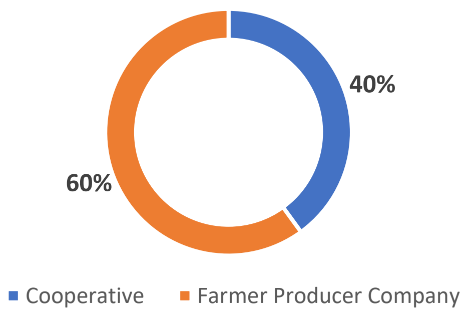
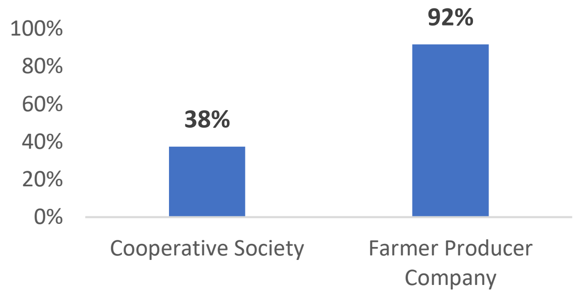


Fig. 6- Support received from Departments/Institutions



Out of the FPOs covered under the study, almost 1/3rd did not receive any support from Govt. departments or other organisations. The FPOs in the state are majorly being funded and promoted by Departments and institutions, such as- Agriculture Department, NABARD, Small Farmers' Agri-Business Consortium (SFAC), Spices Board and Arunachal Pradesh State Rural Livelihoods Mission (ArSRLM). Out of these promoting departments/institutions, ArSRLM has recently initiated their FPO promotion efforts where they are promoting Farmer Producer Companies with members from the SHGs under ArSRLM.

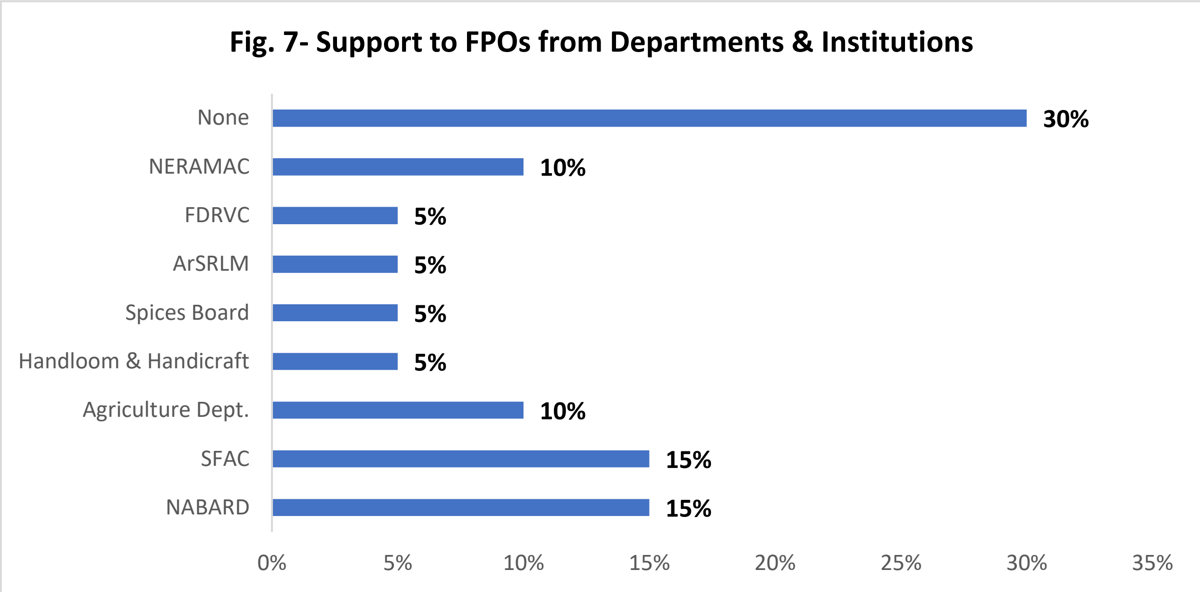
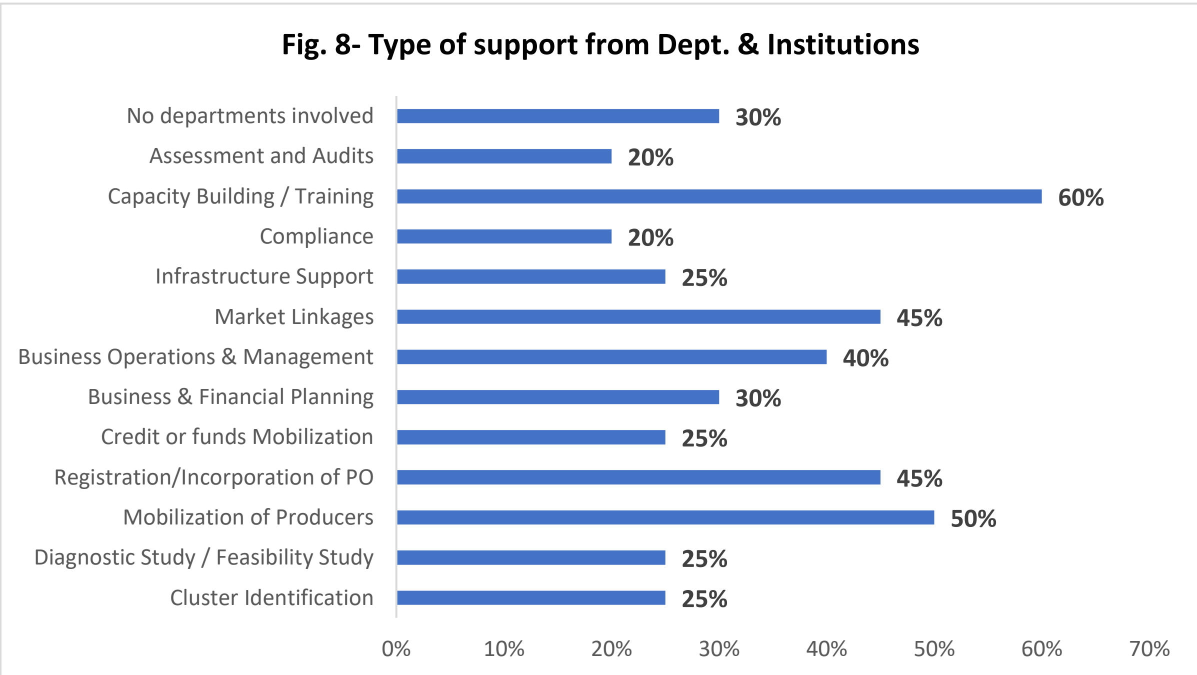


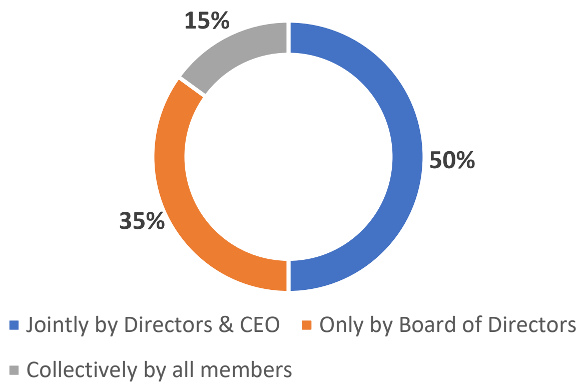
Figure 8 shows that out of the different forms of support received by the FPOs from departments & institutions, the highest number of FPOs (60%) received support with regard to capacity building & training. The BoD, CEOs and accountants of the FPOs primarily received the trainings with regard to governance and management of the FPOs. The FPOs also received support for mobilisation of producers, registration & documents preparation, formulation of Detailed Project Report (DPR), market linkage, compliances, preparation of audits, infrastructure support, organic certification, and input support for farmers. In addition, the FPOs supported by NABARD, SFAC, Agriculture Department and ArSRLM receive financial



support for 3 years to cover the salaries of the staff members and also the operational cost of running the FPO. Under the MOVCD-NER scheme, the FPO members even received support for farming of organic crops amounting up to Rs. 7,000/- per member. Most of the capacity building and handholding support to the FPOs were provided by Producer Organisation

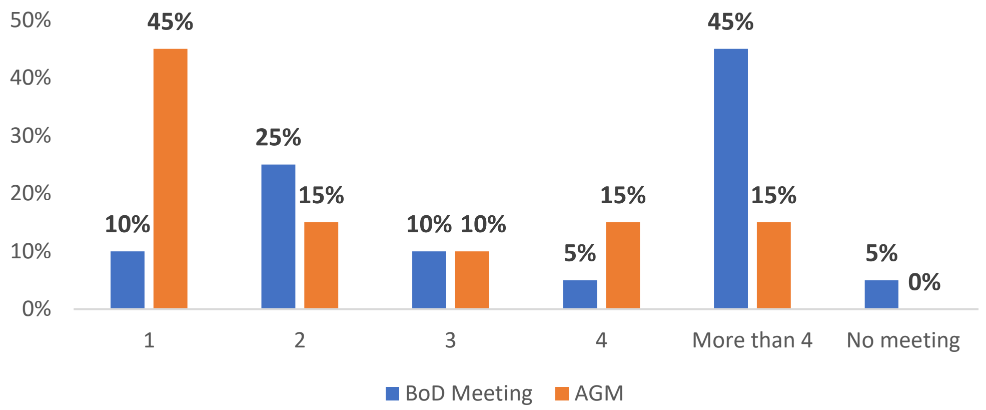
Promoting Institutions (POPIs) such as- NEIDA, AMYAA, FDRVC, Patanja, Samarth Agro, and others.

Fig. 9- Decision making in the FPOs



2.1.3 Governance & decision making:_It has been found that in 50% of the FPOs where CEOs are available, the key decisions regarding the FPO are taken by the BoD along with the CEO. In FPOs which do not have CEOs, decisions are taken by the BoD alone. It was learnt that the BoD takes key decision regarding the operations of the FPO, such as- which crops to focus on, identification of buyers or companies for selling of produce and fixing the price for the produce. In some of the FPOs, Promoters and key large-scale farmers also attend the BoD meetings. The decisions are shared with the shareholders via WhatsApp mobile application. Certain decisions such as change in BoD members and election of new BoD

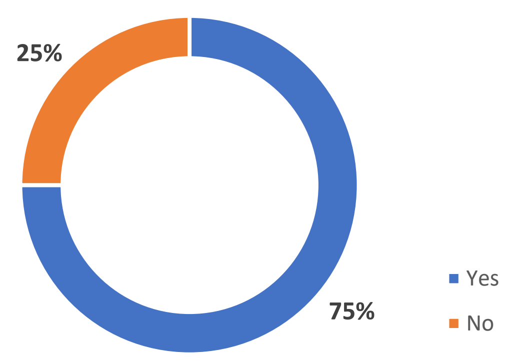
Fig. 10- Number of BoD meetings & AGM



members are taken through voting in the Annual General Meeting. It can be seen from Figure 10 that 60% of the FPOs reported to having conducted at least 3 BoD meetings; and 60% of the FPOs reported to having conducted at least 2 AGMs. However, apart from a few systematically run FPOs, most of the FPOs said that they are not maintaining the minutes of the BoD meetings. It was shared by the BoD members that as the Directors reside in different Blocks, and due to the large distances between villages and Development Blocs in the state, conducting physical BoD meetings becomes a challenge.

Figure 11 shows that 75% of the FPOs reported that they maintain their record books, more specifically their books of accounts on a monthly basis. However, it is highly doubtful that many of the FPOs are maintaining their records on a regular basis as these record books could not be found in many of the FPOs during the field visits. In FPOs which have staff members such as CEO and accountant, the record books are maintained by them. In FPOs which do not have staff members, some of the BoD members takes responsibility of maintaining the record books. It was seen that in some of the cases, even the POPI had maintained the record books of the FPOs.

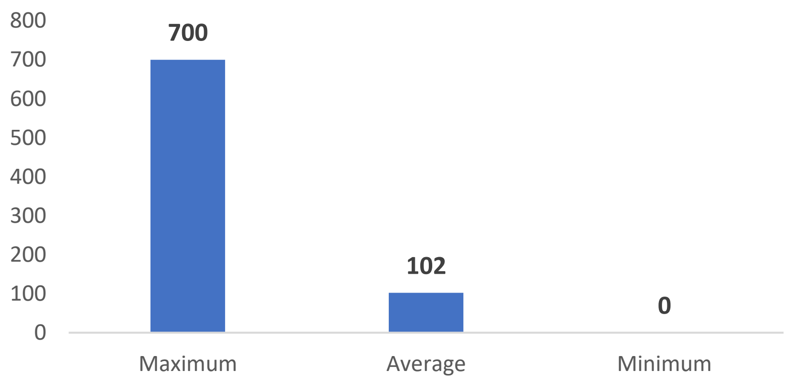
Fig. 11- Monthly update of record books



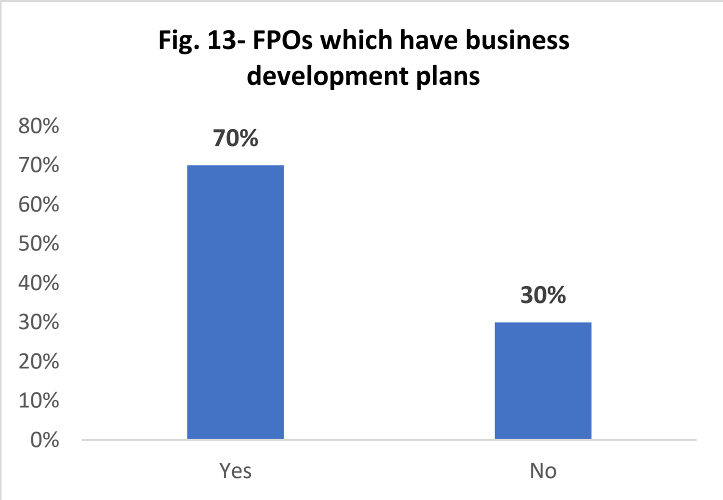
2.2 Section 2: Business activities of the FPOs

2.2.1 Key commodities and shareholder engagement: The FPO dealt in farm commodities such as- Ginger, Turmeric, Large Cardamom, Kiwi, Orange, Areca Nut, Mustard, Rice, Maize, Potato, Livestock, Fish and Handloom. The FPOs primarily deal in horticultural cash crops, which the growers primarily produce for sale, are not easily perishable and can be transported outside the state for sale. Also, there is industrial demand for such produce, which some of the FPOs have been able to tap in and sell directly to companies.

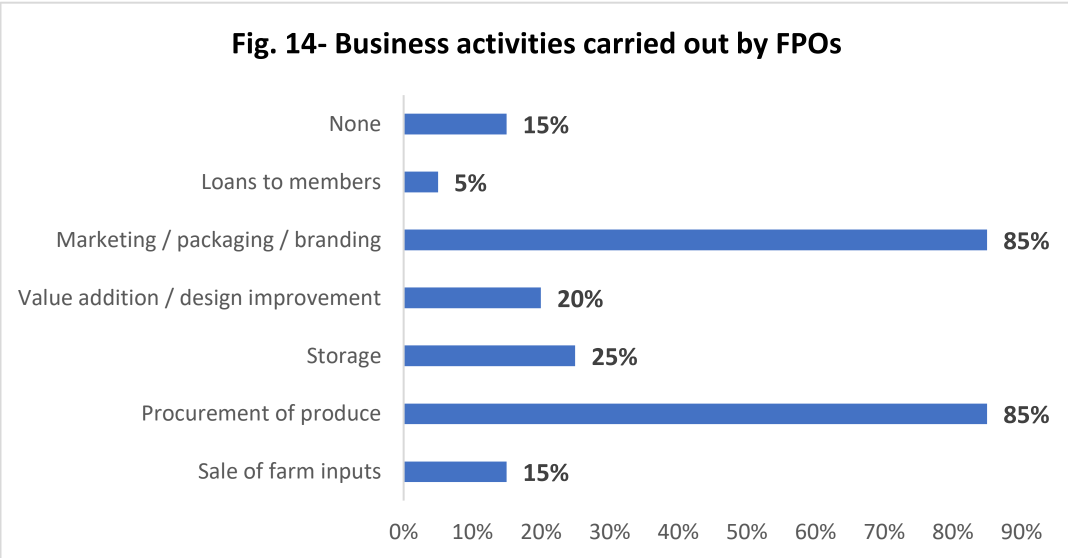
Fig. 12- Number of shareholders who have transacted with the FPO in the last 1 year



As been seen in Figure 12, although the average number of shareholders in the FPOs covered under the study is 318, the average number of shareholders who transacted with the FPO in the past 1 year is 102, which is just 1/3rd of the average shareholder number. Dibang Agro Farmer Producer Company reported to have transacted with highest number of shareholders i.e. 700, and Hichi Bulla Multipurpose Cooperative Society did not have any transaction with its shareholders. The transaction with the shareholders is low for most of the FPOs as they have not been able to develop strong market linkage for their shareholders, due to which the shareholders sell directly to other middle men. In some instances, due to lack of strong market linkage by the FPO for their products such as Turmeric, the farmers have shifted to other crops. In FPOs which have been able to provide good market linkage for the farm commodities produced by the farmers, the engagement with shareholder is seen to be better.

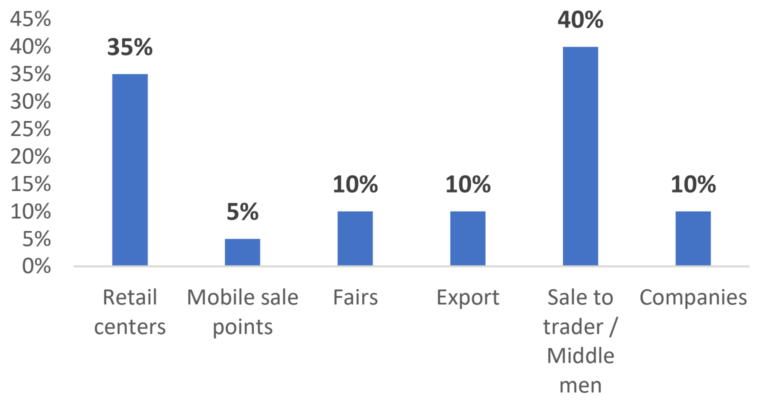


2.2.2 Business activities of the FPOs- As seen in Figure 13, 70% of the FPOs covered under the study have reported to have business development plans for their FPOs. They have shared that the business plans had been prepared as part of their Detailed Project Reports (DPR), which were submitted to the department or institution from which they had received support. The respondents from FPOs shared that the DPRs had been prepared by the POPI allocated by the government department or the private consultants whom they had hired. In spite of having reported to have business plans, a vast majority of the FPOs could not share clearly how they intend to take the business of their FPO forward or how they will be able to provide better market and prices for the farmers.



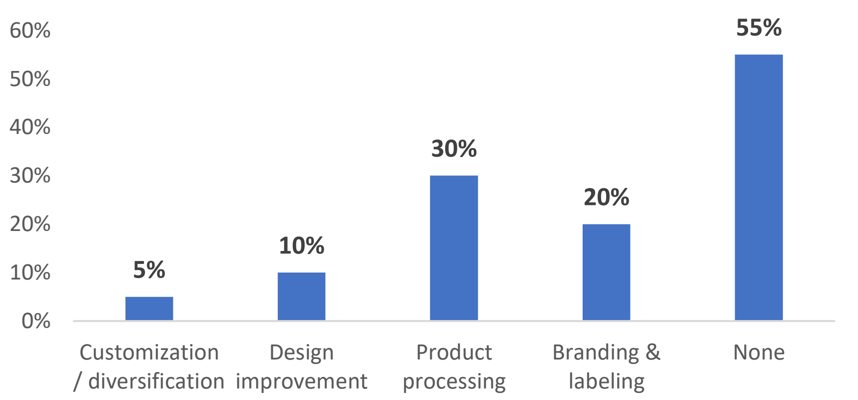
It can be seen in Figure 14 that 85% of the FPOs provide the service of trading of the farm commodities to its shareholders. The FPOs provide market linkage to the shareholders by linking the sellers with the buyers. Some of the FPOs purchase the farm produce and sell to the middlemen or companies; where other FPOs link the farmers with the middlemen or companies, where the members sell directly to the middlemen or companies and get paid by them. Some of the FPOs have collection centers where the farmers bring their produce, and from there the buyer collects and transports the produce. 40% of the FPOs are able to undertake simple value addition to their produce, such as drying, powdering, food processing, labeling and packageing. However the value added projects were found to contribute a minimal proportion of the total revenue of the FPOs. The primary activity of the FPOs is seen to be aggregation of farm produce and market linkage of such produce. Only 15% of the FPOs provide farm inputs to their shareholders, such as- sale of fish spawn and piglets. This is because a vast majority of the farmers do not use farm inputs such as pesticides, fertilisers and hybrid seeds. The farmers undertake organic cultivation and a part of the production such as ginger and turmeric are stored aside for use as seeds in the next production season. With regard to support for farming activities, some of the FPOs have been able to leverage Government schemes (MOVCD-NER, Tribal Development Fund) to provide input support with subsidy to the farmers such as- seeds, saplings, handloom yarn, looms and financial grant to cover labour & infrastructure costs.

Fig. 15- Marketing channels



As seen in Figure 15, 40% of the FPOs shared that they sell their products to the trader or middlemen and 35% of the FPOs sell their products through retail centers or shops in the local markets. FPOs which are undertaking basic value addition such as drying, pickling and packaging are selling their value-added products through retail centers. 15% of the FPOs are able to reach a scale where they are able to sell their products directly to the companies. Products such as Kiwi, Ginger and Turmeric had been marketed by these FPOs directly to companies such as X5 Agrotech Farm Producer Company Ltd., Reliance, Big Basket, Prithvi Agrofresh and NERAMAC. 10% of the FPOs are selling a part of their farm or handloom produce through fairs and exhibitions organised by the Agriculture and Handloom Departments. The FPOs who were supported by POPIs shared that developing market linkage during the years of support is the responsibility of the POPI, and a few of the FPOs shared that the POPI could not develop the

Fig. 16- Type of value addition done



market linkage for their FPOs, due to which there was a reduction in the interest of the farmers in engaging with the FPOs.

Within the type of value addition, Figure 16 shows that 25% of the FPOs are carrying out simple value addition activities, such as- drying, pickling and grinding. 20% of the FPOs, which are primarily FPOs dealing in handloom products and fruits are packaging their produce with labelling. A majority 60% of the FPOs are not able to do any form of value addition to the commodities that they deal in. Value addition in the FPOs is hindered by lack of local market for value added products and also lack of machinery for value addition.

2.2.3 Capacity building of FPOs- As can be seen Figure 17, a quarter (25%) of the FPOs covered in the study did not receive any training from an external institution or resource person. 40% received less than 5 trainings with regard to their business activities, governance and management of the FPOs. 1/3rd (35%) of the FPOs had received 5 or more trainings from their registration till the time of data collection. The trainings were primarily provided to the Directors, CEO and accountants of the FPO. Out of the topics on which the FPOs received trainings, the most prominent ones were found to be- FPO management, marketing, new production techniques and value addition, and record keeping & accounts. The trainings had been provided by either the POPI or the supporting Government Dept. / institution.

Fig. 17- Number of trainings received by FPOs

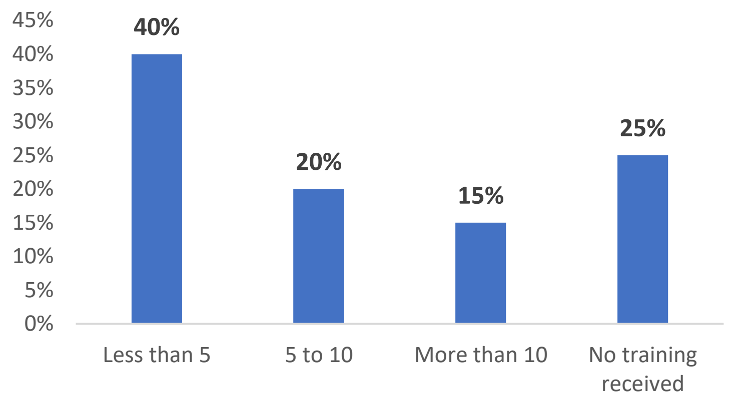
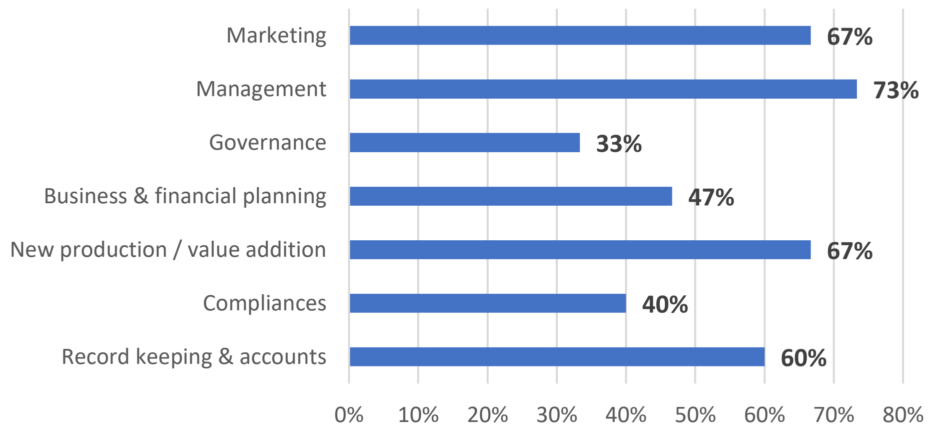
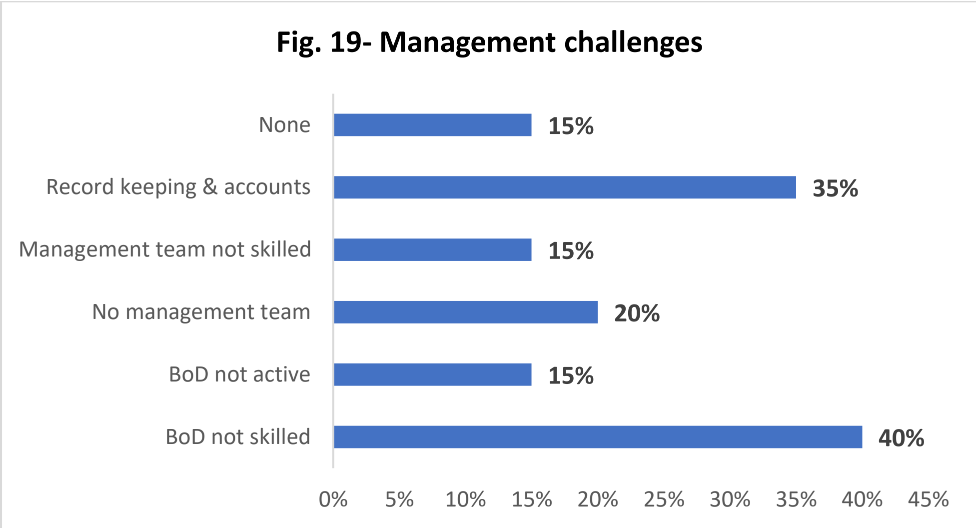


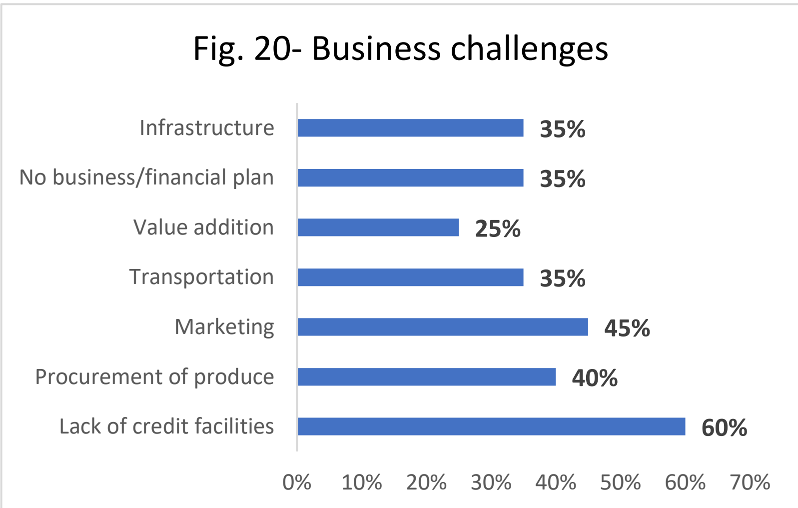
Fig. 18- FPOs who received trainings- topic wise



2.2.4 Management & Business challenges- The FPOs shared that the biggest challenge faced by them is with regard to the skills of the BoD, as 40% of the respondents from FPOs stated that their BoD members are not skilled enough. This indicates challenges with regard to the governance and strategic direction of the FPOs. It had been observed that FPOs with at least a few motivated and skilled Directors along with capable CEOs led to the FPOs being more operational and bigger in their scale of operation. They are also able to leverage more Governmental support for their respective FPOs and the farmer shareholders. The second major challenge highlighted by the FPOs is 'Record keeping & accounts' as 35% of the FPOs identified this to be a challenge. Not having a management team was also said to be a challenge by 20% of the FPOs.



In Figure 20, it can be seen that 60% of the FPOs have stated that lack of credit facilities for the FPOs is challenge for them. Apart from the operational and infrastructural support received from the Government Departments or Institutions, the FPOs have not been able to raise money for their business through credit or grants. Lack of credit facilities and funding support has led to lack of working capital in almost all of the FPOs, including the ones with bigger scale of operation. Marketing has been stated to be a challenge by 45% of the FPOs. One of the promoters and CEO of an FPO stated that as that it is challenging for an FPOs to do everything right from dealing with shareholders, procurement to marketing. The respondent said that if the marketing part is taken care of by a company which procures the produce from the FPO, then the FPO can focus more on engaging the shareholders, aggregating the produce and doing some value addition such as drying & packaging. 40% of the FPOs have mentioned that procurement from

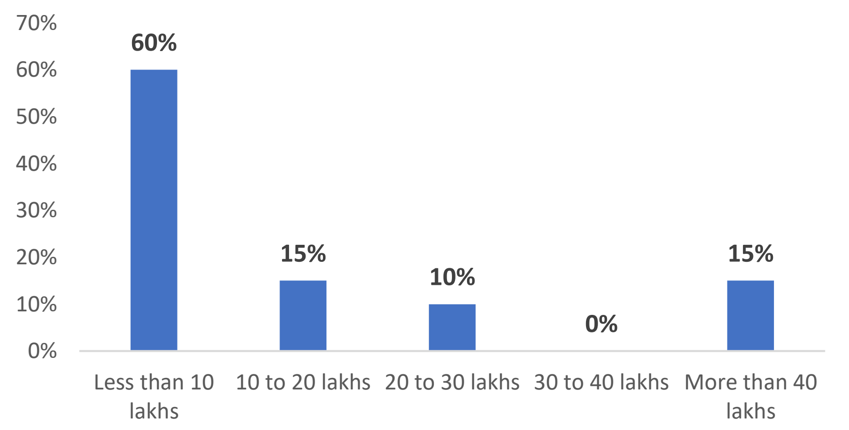


the members is a challenge. As many of the FPOs are not able to find bulk buyers for their produce who are willing to pay a good price, the farmer shareholders sell the produce themselves instead of selling through the FPOs. This corelates with the low proportion of shareholders who had transacted with the FPOs in the last 1 year.

2.2.5 Benefits created for the shareholders- Most of the FPOs did not clearly indicate if due to the services of the FPOs, there has been an improvement in the livelihoods and incomes of the farmers. Most of the FPOs shared that they are still in an initial stage and have not yet been able to strengthen their business, and hence have not been able to clearly benefit the members. They stated that most members are producing their farm commodities and selling by themselves. Only a few of the FPOs which could market their produce directly to the companies and bigger traders, shared that they have been able to get better prices for the produce of the farmers and also reduced the payment period for the farmers. One of the FPOs dealing in Ginger, shared that as they are now selling their produce to a company, they are able to reduce the payment period for farmers from over 15 days earlier to just a few days now.

2.3 Section 3: Finance

Fig. 21- Revenue in FY 2023-24 (in Rs.)



2.3.1 Revenue and profits of the FPOs: As can be seen in Figure 21, as much as 60% of the FPOs generated less than Rs. 10 lakhs of revenue in the financial year 2023-24. Within this 60% of FPOs, there are FPOs which could not take up any business activity or transaction during the mentioned period. 15% of the FPOs reported to have generated Rs. 10 – Rs. 20 lakhs revenue and 10% reported a revenue of 10% during this period. 15% of the FPOs covered in the study reported to have generated a revenue of over Rs. 40 lakhs in the mentioned period. The FPOs which have generated over Rs. 40 lakhs revenue have been able to develop market linkage with companies or large traders for purchase of their produce. Figure 21 indicates that a majority of the FPOs are not able to take up much business activities for their members and only a small proportion of the FPOs are able to trade the farm commodities produced by the members in a large quantity, thereby generating higher revenue.

With regards to the profits generated by the FPOs, 1/4th of the FPOs (25%) covered in the study did not generate any profit in the financial year 2023-24. 60% of the FPOs reported that they had generated less than 5 lakhs of profit. Only 3 out of the 20 FPOs covered in the study (15%) stated that they generated a profit of over Rs. 5 Lakh. As many of the FPOs stated that they cover their operational costs from their profits, low profits of the FPO indicate less sustainability in a vast majority of the FPOs, as 85% of the FPOs are either generating less than Rs. 5 lakhs of profit or no profit at all.

Fig. 22- Profits generated in FY 2023-24 (in Rs.)

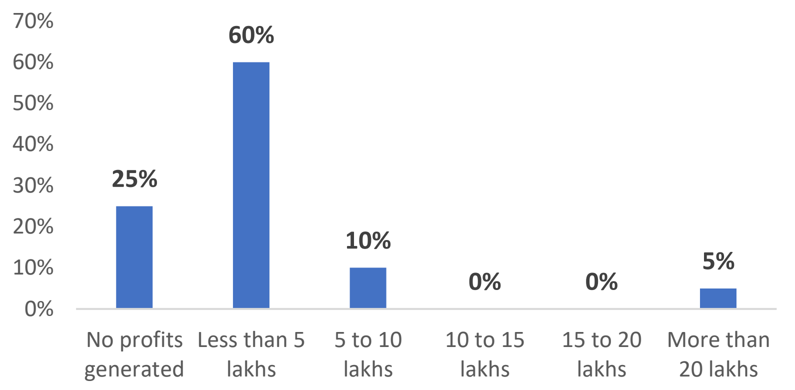


Fig. 23- Loans received by FPOs

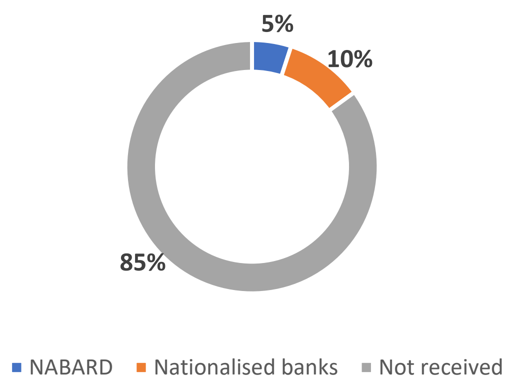
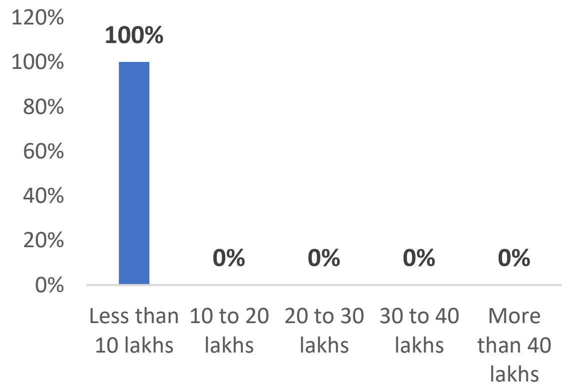
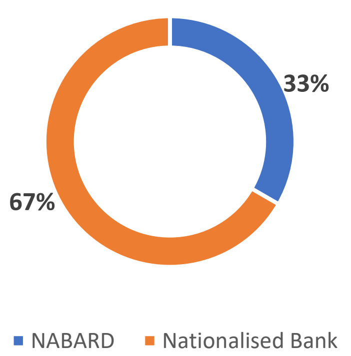


Fig. 24- Loan amounts (in Rs.)



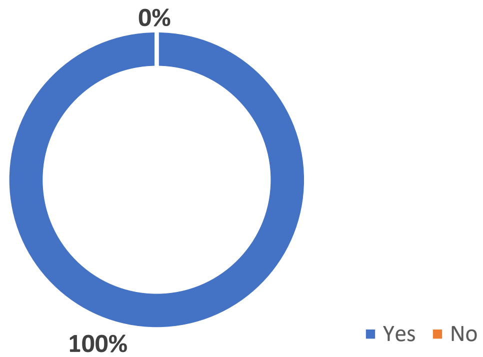
2.3.2 Access to credit: As seen in Figure 23, 85% of the FPOs stated that they had not taken any loan for the business operations of the FPO. Only 15% of the FPOs stated that they had taken loans for the operations of the FPO. The loans had been taken from Arunachal Pradesh State Cooperative Apex Bank Ltd. (Sponsored by Department of Cooperation, AP) and Nabkisan Finance Ltd. (subsidiary of NABARD). As can be seen from figure, the loan amounts for all the FPOs which had taken loan, was less than Rs. 10 lakhs. The purposes for which the loans were taken were for purchase of inputs

Fig. 25- Source from which loan received



such as handloom yarn at a subsidised rate and for procurement of farm produce from the farmers by the FPO. It had been shared by the FPOs that getting loans from financial institutions involves a lot of documentation and multiple stages of checks, which is difficult to get through for most of the FPOs. It was shared by the Department of Cooperation of the state that due to the non-repayment of loans by the FPOs, the loans to FPOs by supporting institutions have been almost halted.

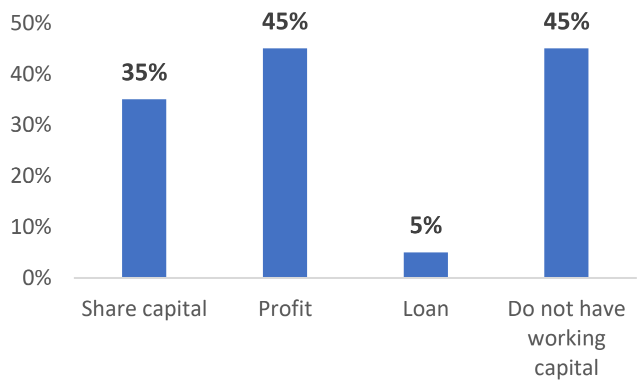
Fig. 26- Was the loan repaid on time?



As seen in Figure 26, all of the FPOs (100%) which had stated that they had taken loans, said that they loans had been repaid on time. However, this is contrary to what the Government stakeholders had stated i.e. most of the FPOs which had taken loans from banks and financial institutions had not repaid the loan amount in time.

2.3.3. Working capital: As seen in Figure 27, 45% of the FPOs stated that they generate their working capital through their profits and 35% of the FPOs stated that their working capital had been generated through the share capital contributed by the members. Almost half (45%) of the FPOs stated that they do not have any working capital to run the operations and business activities of the FPO. This has been seen to be a major challenge in almost all of the FPOs as almost all of them either do not have any working capital at all or have minimal working capital. They have been able to sustain as the salaries and operational cost of the FPOs had been covered by the supporting institutions, however after the 3 years support period most of the FPOs do not have the financial resources to continue paying their staff or undertake their business activities at a meaningful scale.

Fig. 27- How is working capital generated?



2.4 Section 4: Infrastructure & Machinery

2.4.1 Infrastructure availability and type: 85% of the FPOs stated that they have some form of infrastructure. 65% of the FPOs covered under the study stated that they have building for office or business purposes and 40% of the FPOs stated that they have land. However, though in-depth discussions with the FPOs it was learnt that most of the buildings and land were either on rent or leased by the FPOs. Very few FPOs had their own land or building. 50% of the FPOs covered under the study had machinery and equipments for their business activities, such as- washer, cutter, dryer, pulveriser, water pump, looms, power tiller, feed mill, mini-ice maker and packaging machine. Only 10% of the FPOs covered in the study have their own transport vehicle, which they used to transport the farm produce to the collection centers.

Fig. 28- Does the FPO have infrastructure & machineries?

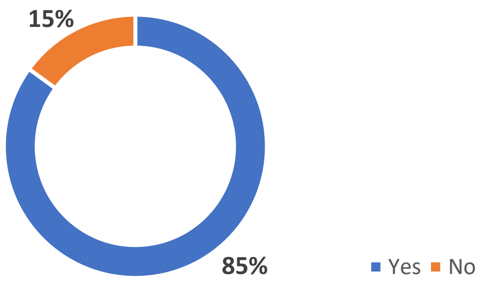
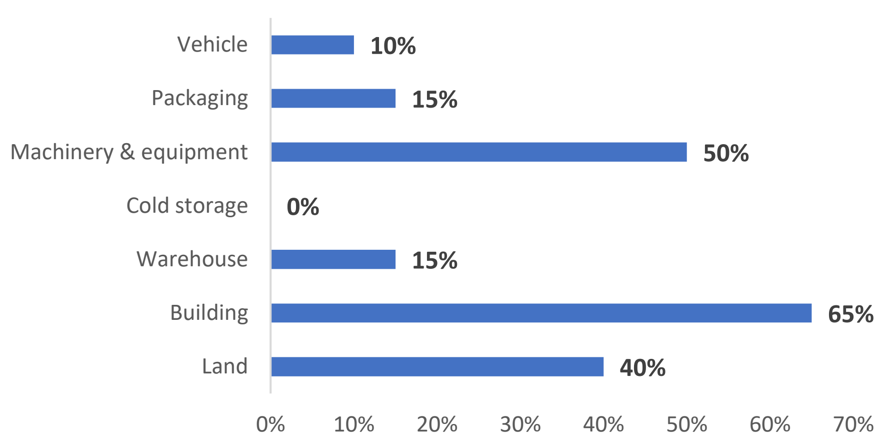
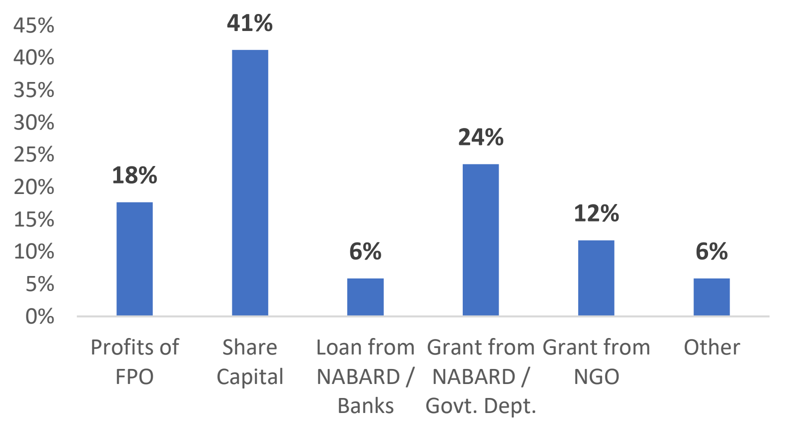


Fig. 29- Type of infrastructure in FPOs



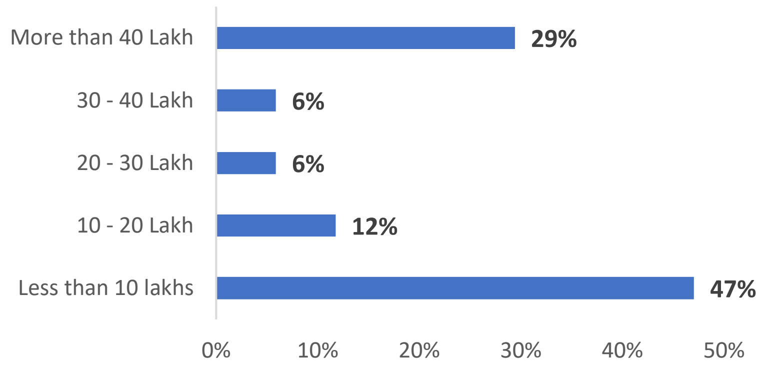
2.4.2 Source of funding for infrastructure & machinery- 41% of the FPOs shared that they have financed the infrastructure such as building, land, machinery etc. through share capital. Through the share capital, the FPOs have mostly financed the rent or lease of their office building or land. The FPOs leased land for the purpose of setting up their office or for farming activities. 24% and 12% of the FPOs which have infrastructure, stated that they have financed their infrastructure and machinery through

Fig. 30- Funding source of infrastructure



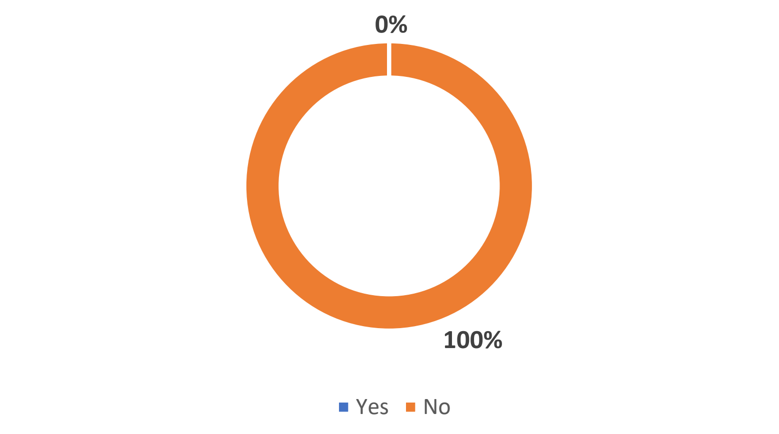
grant from NABARD / Government Dept. and NGO respectively. The farm processing related machinery (washer, cutter, dryer, pulveriser etc), non-farm equipments such as looms, sewing machines and transport vehicles had been provided to the FPOs by Departments such as- Agriculture, Fishery, Handloom, MSME departments, NABARD and ArSRLM. 18% of the FPOs have also bought machinery and vehicles on their own from the profit that they had generated.

Fig. 31- Value of infrastructure



As seen in Figure 31, nearly half (47%) of the FPOs stated that the total value of their infrastructure and machinery is less than Rs. 10 Lakh. This indicates that these FPOs have minimal amount of infrastructure and machinery. 12% of the FPOs stated that the monetary value of their assets is between Rs. 10 – 20 lakhs. Nearly 1/3rd of the FPOs (29%) stated that the value of their infrastructure and assets is over Rs. 40 lakhs.

Fig. 32- Does the FPO use solar energy?



2.4.3 Use of solar energy: As seen in Figure 32, none of the FPOs covered in the study use solar energy in their offices or to power their machinery. The FPOs stated that they have not got any support or training for the adoption of renewable energy. However, most of the FPOs shared that solar energy will be beneficial for them as the electricity supply in the state is not regular, especially during the monsoon season.

CHAPTER 3: ANALYSIS AND DISCUSSION

Based on the findings from the quantitative as well as qualitative data, the following is the analysis of the different components of the FPO ecosystem in Arunachal Pradesh-

3.1 Section 1: Formation, Governance & Support Received

3.1.1 Formation process of FPOs: A vast majority of the FPOs shared that initially they did not know much about FPOs and that they had been facing challenges regarding the sale of their farm produce to low prices and delayed payment by the middle men. It was learnt that most of the FPO formation process was initiated by the Government departments, institutions, Govt. officials, POPIs and NGOs, who informed the farmers and BoD about the benefits of FPOs and motivated them to register an FPO. There after the Departments and institutions supported the registration and formation process of the FPOs through POPIs or CBBOs. Apart from the objective to benefit the farmers through the FPOs, another motivation among the key members for registration of the FPO was to avail Government support and subsidies for their farming activities.

3.1.2 Role of Departments / Institutions in strengthening of FPOs: 90% of the FPOs covered in the study were registered in the last 10 years i.e. in the period 2015 – 2024. It is during this period the flagship schemes for promotion of FPOs in India, such as Central Sector Scheme for Formation & Promotion of 10,000 FPOs, Mission Organic Value Chain Development – North East Region (MOVCD-NER) and Producer Organisation Development Fund – Interest Differential (PODF-ID). These schemes were launched and supported by Ministry of Agriculture & Farmers Welfare and NABARD. It has been found in the study that all the FPOs which have been able to achieve milestones such as revenue over Rs. 20 lakhs, direct market linkage with companies and availability of processing equipment are all FPOs which had been supported through Government schemes. It can be said that FPOs which received support under Government schemes are doing better and able to scale up compared to the FPOs which are not supported through any Government scheme.

3.1.3 Key FPO promoting Departments & Institutions and support provided to FPOs: It has been found that the key Departments & Institutions which are promoting FPOs in Arunachal Pradesh are- Agriculture Department, NABARD, SFAC, ArSRLM and Spices Board. These Departments & Institutions are promoting FPOs through POPIs, CBBOs and technical institutions such as- FDRVC, NEIDA, AMYAA, Patanjali Foods Ltd., NOSAP, among others. The key support that the FPOs have been able to receive from the POPIs and CBBOs are- a) Registration and incorporation of FPOs, b) Mobilisation of members for FPOs, c) Formulation of Detailed Project Report (DPR), d) Trainings and capacity building, e) Statutory Compliance, f) Handholding support, g) Organic certification and h) Market linkage. Although the FPOs have stated that they received support from the POPI, a few of the FPOs shared that one particular POPI had made mistakes in their registration documents and also the DPR, which they had to revise later. Also, the FPOs shared that the POPIs were not very successful in linking the FPOs with institutional buyers, due to which they have not been able to undertake their business activities effectively and engage their shareholders.

3.1.4 Governance and leadership of the FPOs: It has been found that strong leadership for the FPOs is extremely important for the success of the FPOs. The FPOs which have dynamic Chairpersons, Directors and CEOs, have been found to be more operational and are doing better in their business operations compared to FPOs with weak BoD and CEO. The BoD members have been found to be the ones who have some connections with Government Departments and officials and are often bigger farmers in the area. It has been found that the key decisions in the FPOs are mostly taken by the BoD along with the CEO (wherever CEO are present) and the decisions are shared with the members through WhatsApp. Certain decisions such as change of BoD members are done through the Annual General Meetings. They decisions taken by the BoD mostly revolve around production and marketing related topics, such as- farm products to focus on, identification of buyers & companies, price negotiations and decisions on dates for collection of farm produce by the buyers. It was found that most of the BoD members did not have a clear idea that the FPOs are owned by the shareholders and should have the purpose of improving the incomes of the shareholders.

3.1.5 Maintenance of Record books: Around 75% of FPOs claimed to maintain their record books, particularly their books of accounts, on a monthly basis. However, field visits revealed that many FPOs lacked accessible records, raising doubts about the consistency of their record-keeping. In FPOs with designated staff like a CEO or accountant, these individuals typically manage the records. Where no staff is present, certain Board of Director (BoD) members take on the responsibility. In some instances, it was observed that the POPI itself had taken charge of maintaining the FPOs' record books.

3.2 Section 2: Business activities of the FPOs

3.2.1 Key commodities covered by the FPOs- Arunachal Pradesh is a state characterised by rich natural resources, vegetative cover and hilly terrain with varying altitudes. This results in a range of crops which are grown by the farmers in the state. The state has got plan areas and foothills such as Namsai and Papum Pare, as well as high altitude districts such as Tawang and Upper Siang. The crops grown in the different regions of the state vary based on the topography, climatic and soil conditions. Crops in the category of spices, fruits, vegetables and paddy are grown abundantly in the state. Some of the key agricultural products in the state, which the FPOs are dealing in area- Ginger, Turmeric, Large Cardamom, Kiwi, Orange, Maize, Pineapple, Rice, Areca Nut and Mustard. The key agricultural commodities in the districts covered in the study are given below-

Sl. No.	Districts	Key Commodities
1	Lower Subansri	Kiwi, Cardamom, Fishery, Turmeric, Handloom, Rice
2	Kurung Kumey	Large Cardamom, Orange, Turmeric, Potato
3	Papum Pare	Turmeric, Ginger, Large Cardamom, Pineapple, Orange, Piggery
4	Changlang	Areca nut, Rice, Turmeric, Buck wheat, Ginger, Mustard, Banana, Tea, Kidney Beans
5	Namsai	Rice, Turmeric, Ginger, Mustard, Livestock (Cattle)
6	East Siang	Orange, Ginger, Maize
7	Lower Dibang Valley	Orange, Ginger, Mustard, Potato, Rice, Maize
8	East Kameng	Mustard, Ginger, Turmeric

3.2.2 Business activities carried out by the FPOs- Being able to conduct efficient business activities is one of the most crucial elements for the success and sustainability of an FPO. However, this is one area where most of the FPOs covered under the study is struggling. As mentioned earlier, 85% of the FPOs covered in the study undertake trading activities, whereby aggregate the produce from the shareholders and sell to either middlemen or to companies. Even if the FPOs undertake aggregation and trading activities, the members of most of the FPOs sell directly to the traders or middlemen. This is because, on the one hand the middlemen pay advances to the farmers and on the other hand the FPOs cannot procure the commodities in large quantity as they are not connected with large buyers. Most of the FPOs are marketing the produce of their shareholders to middlemen from within and outside the state, and only 15% of the FPOs covered in the study are able to sell their farm produce directly to companies. Beyond trading of commodities, 40% of the FPOs had undertaken basic value addition activities such as, drying, powdering, labelling and packaging. However, aggregation and selling of farm produce to the middlemen and companies remain the major contributor to the revenue of the FPOs.

3.2.3 Marketing challenge and impact on shareholder engagement- Finding gainful market linkage, which provides reasonably good prices for the commodities of the farmers is mentioned as a major challenge by the FPOs. Most of the FPOs are unable to connect with large buyers who are willing to pay good prices and purchase large quantity of the produce. A few of the FPOs mentioned that their respective POPI have not been able to provide them with the desired market linkage. Due to this marketing challenge, the shareholder engagement of many of the FPOs have gone down. In a few of the FPOs the shareholders have reduced their production of commodities such as turmeric, which was promoted by the FPO as they could not find buyers for large quantities of produce. Not being able to provide adequate market for the shareholders directly affected the shareholder engagement with the

FPO, which is indicated by the fact that although there are 318 average shareholders in the FPOs, only an average of 102 members transacted with the FPO in the last 1 year.

3.2.4 Management of the FPOs- FPOs reported that their most significant management challenge lies in the skill level of their Board of Directors (BoD), with 40% of respondents indicating that their BoD members lack adequate skills to run the FPOs. This points to issues related to governance and the strategic direction of the FPOs. It was noted that FPOs with a few motivated and skilled Directors, along with competent CEOs, tend to be more active and operate on a larger scale. Such FPOs are also better positioned to secure government support for both the organization and its farmer members. The second most commonly cited challenge was related to 'Record keeping and accounts,' identified by 35% of the FPOs. Additionally, 20% of the FPOs mentioned the absence of a management team as a significant hurdle.

3.2.5 Benefits for the shareholders- Most FPOs did not clearly confirm whether their services have led to improvements in farmers' livelihoods and incomes. Many reported that they are still in the early stages of development and have yet to establish strong business operations, which has limited their ability to provide tangible benefits to members. They noted that the majority of farmers continue to produce and sell their agricultural commodities independently. Only a few FPOs that have successfully marketed produce directly to companies and larger traders reported positive outcomes, such as securing better prices for farmers and shortening the payment cycle.

3.3 Section 3: Finance

3.3.1 Revenue and profitability- Out of the FPOs covered in the study, 60% generated less than Rs. 10 lakhs of revenue and only one-fourth (25%) have been able to generate a revenue of more than Rs. 20 lakhs. This indicates that only a few FPOs are able to scale their business activities and market higher quantities of farm produce. With respect to the profit, only 15% of the FPOs are able to generate over 5 lakhs of profit and 25% of the FPOs did not generate any profit at all. This indicates that except from just a few FPOs covered in the study, the vast majority are not financially sustainable and cannot cover the cost of running the FPO, such as- salaries of staff, office rent, admin cost, maintenance of machinery etc.

3.3.2 Working capital and credit / fund access- The financial sustainability of Farmer Producer Organizations (FPOs) presents a critical challenge, as reflected in their working capital status and access to credit. The FPOs primarily reply on their profits (45%) and share capital (35%) for their working capital. However, a significant share of 45% FPOs report having no working capital at all. This points to a severe liquidity constraint affecting nearly half the FPOs. Most FPOs have relied on supporting institutions for the first three years, but this model has not necessarily led to self-sufficiency. In terms of access to credit, the situation appears equally constrained. A high proportion of 85% of FPOs have not availed loans for their operations. Only 15% have availed loans not exceeding Rs. 10 lakhs, primarily from the Arunachal Pradesh

State Cooperative Apex Bank and Nabkisan Finance Ltd. The FPOs shared that the stringent process for application of loans acts as a deterrent, especially for those with limited technical and financial literacy. Moreover, poor repayment track records have led to a tightening of credit flows from institutions, effectively halting new loans and compounding the working capital crunch. The financial ecosystem for FPOs is marked by low working capital availability, limited credit access, and a dependency on institutional support.

3.4 Section 4: Infrastructure & machinery

3.4.1 Existing infrastructure of FPOs and their financing- Although 65% and 40% of the FPOs have stated that they have infrastructure such as building and land respectively, it has been learnt during the field visits and interactions with the FPOs that most of the FPOs have the buildings and land either on rent or lease. Half of the FPOs (50%) have some form of machinery and equipment. The FPOs dealing in handloom have machinery such as handloom, sewing machines and automatic embroidery machines. The FPOs dealing in farm products have machinery such as- washer, cutter, dryer, polishing machine, pulveriser, water pump, power tiller, feed mill, mini-ice maker and package seal machine. Only 10-15% of the FPOs have full range of farm equipments for processing of products such as ginger and turmeric, such as- washer, cutter, automatic dryer, polishing machine, pulveriser and packaging machine. Although transportation of farm produce to the collection centers due to distance, road condition and cost has been said to be a major challenge for the farmers, only 10% of the FPOs covered in the study had their own transport vehicle.

3.4.2 Usage of machinery- Although half of the FPOs have some form of machinery, not all of them are able to use the machinery. In fact, one of the FPO mentioned that they had returned the handlooms provided by the Handloom Department as they had not been used by the members. Another FPO mentioned that before the procurement of machinery, it is important to consult with the buyers and companies as to which type of machinery would be useful in processing of the farm produce. As such, it is important to procure the right type of machinery, aligned with the value chain that the FPO is dealing in. In addition to procurement, training on the usage of the machinery has to be provided to the FPOs so that the machinery are put to productive use. It has also been found that at times the machinery acquired by the FPOs are managed by the companies who have the expertise of operating such machinery and also can employ people to run those machineries.

3.4.3 Financing of infrastructure and machinery- 41% of the FPOs which had infrastructure reported using share capital to finance their infrastructure. However the share capital money is mostly used to cover the rent or lease of office space or land, which was either for setting up offices or for agricultural activities. Among the FPOs with infrastructure, 24% and 12% stated that their infrastructure and machinery were funded through grants from NABARD/government departments and NGOs, respectively. Farm-related machinery—such as washers, cutters, dryers, and pulverisers—as well as non-farm equipment like looms, sewing machines, and transport vehicles were provided by departments including Agriculture, Fishery, Handloom, MSME, NABARD, and ArSRLM. Additionally, 18% of the FPOs with infrastructure purchased machinery and vehicles independently using profits they had earned.

3.4.4 Use of renewable energy- It was learnt from the FPOs that electricity supply is erratic in the state, especially during the monsoons when the electricity supply can be disturbed for days. Also, there is fluctuation in the voltage of the electricity supply, which is not suitable for running of machinery such as dryers. Some of the machineries are being operated by the FPOs through use of diesel fuel and generators. In spite of these challenges, not a single FPO in the state had any solar based power supply for their machinery. With regard to this, a number of FPOs with machinery echoed that solar power and solar based machinery would be beneficial for their FPOs.

3.4.5 Machinery requirement by the FPOs- Apart from a few FPOs, the machinery use by the FPOs for processing or value addition has been limited. This is because, as mentioned earlier, the FPOs have not been able to move beyond the stage of aggregation and sale of fresh farm produce to the buyers. However, there is scope for use of machinery for basic processing such as- threshing, cleaning, sorting, cutting and drying. Also, there is scope for use of machines used in the production & harvesting stage, such as- power tillers, harvester and thresher, which can be used by the members through Custom Hiring Centers set up by the FPOs. The key machinery requirements stated by the FPOs have been given below-

Categories	Machinery type
Production & Harvesting	Power tiller, thresher, harvester
Post harvest	Mustard oil press machine, rice mill, washer, cutter, dryer, pulveriser
Packaging	Packaging machine
Handloom	tailoring, automatic sewing and embroidery machines
Renewable Energy	Solar power unit

3.5 Section 5: Major Challenges faced by the FPOs

3.5.1 Governance & leadership- A key challenge facing FPOs is the gap in strong and informed leadership by the BoDs and CEOs. While FPOs with dynamic Chairpersons, Directors, and CEOs tend to perform better, many suffer from weak Boards of Directors (BoD) and leadership gaps. Most of the Chairpersons and Directors are driven by the prospect of availing government schemes for the FPO and through the FPO, rather than the possibility of building a strong collective of farmers for their betterment. Hence, when schemes cease of exist or don’t come by, the interest of the BoDs also goes down. Lack of coordination and trust among the BoDs is also a factor that affects their effectiveness. Moreover, the Directors have to take care of their own occupation and also are farmers themselves, resulting in less time for the FPOs.

3.5.2 Lack of clarity in business plans- While 70% of FPOs report having business development plans—primarily prepared by external consultants or POPIs for project submissions, most lack a clear understanding or ownership of these plans. As a result, they are unable to articulate concrete strategies for advancing their business or improving market access and prices for farmers, highlighting a significant gap between planning documentation and practical, actionable vision.

3.5.3 Market linkage & shareholder engagement- FPOs face a significant challenge in securing gainful market linkages that offer fair prices and absorb large quantities of produce. Most are unable to connect with large buyers, and support from POPIs in this area remains crucial. This marketing gap has led to reduced shareholder engagement, with farmers scaling back production of key crops due to unavailability of demand and fair prices.

3.5.4 High transportation cost- Transportation of farm produce is a major challenge for FPOs and their members. The high cost of transporting goods from farms to collection centers or markets significantly reduces the farmers' margins. In many cases, the collection of produce itself is logistically difficult, especially in remote or scattered locations. These high transport costs not only burden the farmers but also discourage buyers from offering competitive prices, as they factor in the additional expense. Only 10% of the FPOs covered in the study had transport vehicles to aid members in transportation of their produce.

3.5.5 Low revenue and profitability- A majority of FPOs struggle with financial sustainability, with 60% generating less than Rs. 10 lakhs in revenue and only 25% crossing the Rs. 20 lakh mark. Profitability is even more limited—only 15% earn over Rs. 5 lakhs in profit, while 25% make no profit at all. This indicates that most FPOs are unable to scale their operations or generate sufficient income to cover basic operational costs like staff salaries, office rent, and equipment maintenance, raising concerns about their long-term viability.

3.5.6 Management team- Half of the FPOs operate without any staff, and those with key personnel like CEOs or accountants rely heavily on government or institutional support to cover salaries. Due to limited working capital, FPOs are unable to sustain staff independently, leading to human resource shortages for managing and growing the operations of the FPOs.

3.5.7 Low working capital and access to credit- FPOs face a critical challenge of financial sustainability, marked by working capital shortages and limited access to credit. Nearly half of FPOs report having no working capital at all. Despite initial support from institutions, most FPOs have not achieved financial self-reliance. Credit access remains highly constrained, with 85% of FPOs unable to secure loans due to elaborate application processes, low financial literacy, and poor repayment histories of FPOs.

3.5.8 Maintenance of records, accounts and legal compliance- The FPOs mentioned that maintaining records and accounts is a major challenge, especially for the ones which had not received any support from Govt. Departments / Institutions. As many of the FPOs do not have a management team, maintenance of records and accounts often fall on the BoD members. FPOs rely heavily on the POPIs and consultants for their legal compliance requirements such as income tax return and preparation of audit report.

3.5.9 Trade licence- FPOs formed by members of communities which does not fall under the Arunachal Pradesh Scheduled Tribe (APST) do not receive Trade Licence in the state. Trade Licence is required to carry out a particular trade or business activity in a specific location. It was learnt that this document is also required to receive support by from NABARD. As such, a number of FPOs formed by members of communities such as Chakma and Deori are not able to receive institutional support for their FPOs.

3.5.10 Power supply- FPOs with machinery face significant operational disruptions due to erratic electricity supply, especially during the monsoon season, and frequent voltage fluctuations. To cope, some FPOs rely on diesel generators, which are costly and unsustainable. Despite these issues, none of the FPOs have been able to adopt solar power solutions, even though they recognize that solar-based energy and machinery could benefit their operations.

CHAPTER 4: KEY RECOMMENDATIONS AND CONCLUSION

4.1 Recommendations

Based on the findings of the study, the following are the key recommendations for the strengthening and promotion of functional and sustainable FPOs in Arunachal Pradesh-

4.1.1 Government or institutional support during formation stage- As support from Government departments and promoting institutions has played an important role in promotion of FPOs, such governmental support and schemes can be tapped in FPO promotion initiatives. Such schemes have the required resources, through which FPOs can receive crucial support.

4.1.2 Capacity building of Directors and CEOs- To enhance the success and sustainability of Farmer Producer Organizations (FPOs), it is essential to strengthen the leadership and governance capacity of their Boards of Directors (BoD) and CEOs. This can be achieved by providing targeted training on governance, business planning, and member-centric approaches to ensure leaders understand that FPOs are owned by shareholder farmers and exist to improve their incomes.

4.1.3 Clear business plans- As most FPOs did not have a clear business plan as to how they would take their work forward, it is important to support the FPOs have a workable and simple business plans, that is created by involving the Directors, CEOs and the shareholders. Having a business plan, that can be understood by the Directors and CEO is one of the most crucial aspects of a strong FPO.

4.1.4 Market linkage- Market linkages which help the FPOs and shareholders to sell their produce at a gainful price has a direct impact on the functionality of the FPOs. As such, the FPOs should be supported by the promoting institutions to find stable buyers for their key commodities, which will result in more active engagement of shareholders with the FPO.

4.1.5 Dedicated and effective promoting institutions- The POPIs and CBBOs are important institutions which provide handholding support, capacity building and guidance to the FPOs. Such institutions play a major role in the success or failure of an FPO. As such the POPIs need to be well intentioned, willing to work for the interest of the farmers/producers and have the desired technical expertise.

4.1.6 Strengthening of systems & legal compliance- Support should be provided to the FPOs for building internal capacity in record-keeping, accounting, and legal compliance. This can include training BoD members and key staff in basic financial management, maintaining simple accounts and basic documentation. Additionally, efforts should be made to gradually reduce dependence on POPIs and consultants in this regard, so that the FPOs build their internal capability.

4.1.7 Support for working capital- To address the critical issue of financial sustainability, there is a need to improve FPOs' access to working capital and credit. This includes helping the FPOs get equity grants through Govt. schemes, support in loan application processes, financial literacy and connecting with possible financial grant support. The FPO BoD and leadership needs to be trained in financial and credit management skills so that the financial resources of the FPO are utilised in a frugal and productive manner.

4.1.8 Support for machinery- Some of the FPOs are at a stage where they are able to undertake aggregation and marketing of the commodities for their shareholders. Such FPOs can be supported with machinery which can be used by them in stages of value chain such as- production & harvest, post production & storage, value addition and packaging. Along with support for procurement of farm machinery, the FPOs should be trained on how to operate and use the machinery, which will help them put the machinery to good use.

4.1.9 Support for renewable energy- Support can be provided to FPOs to facilitate the adoption of solar-powered energy solutions, especially given the frequent disruptions caused by unreliable electricity supply and voltage fluctuations, particularly during the monsoon season.

4.2 Conclusion

Based on the findings and analysis of the study on Farmer Producer Organizations (FPOs) in Arunachal Pradesh, it is evident that while there has been progress in the formation and institutional support of FPOs, numerous challenges persist in their functionality and sustainability. The study reveals that government and institutional initiatives have played a pivotal role in catalysing the formation of FPOs, particularly through flagship schemes and the support of promoting institutions like NABARD, SFAC, Agriculture Department and ArSRLM. However, despite this support, many FPOs remain in the nascent stages of development, with limited capacity to scale operations, ensure effective governance, and secure profitable market linkages. Issues such as leadership challenges, inadequate business planning, difficulty in market linkage and low financial literacy among Board members have emerged as critical barriers to growth.

Moreover, the lack of working capital and limited access to credit continue to hinder operational sustainability, with many FPOs struggling to meet basic expenses like salaries and equipment maintenance. Infrastructure constraints, particularly in machinery usage and energy supply, further compound these challenges. In spite of the challenges, a few FPOs have been identified in the study, which have been able to build a shareholder base, create market linkages, undertake value addition, procure machinery and scale their business operations- thereby creating better livelihood opportunities for their shareholders.

To realize the full potential of FPOs in enhancing livelihoods in Arunachal Pradesh, it is essential to adopt a holistic and long-term approach focused on capacity building, financial empowerment, market development, and infrastructure enhancement. Only through sustained, context-sensitive interventions can FPOs evolve into self-reliant, farmer-centric enterprises that drive inclusive agricultural growth in the region.

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