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RECONCEIVING SUSTAINABILITY IN INDIA'S FARMER PRODUCER ORGANIZATIONS: A FIELD-GROUNDED CONCEPTUAL FRAMEWORK

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ABSTRACT
Farmer Producer Organizations (FPOs) have become one of India's central institutional strategies for uplifting small and marginal cultivators through pooled resources, aggregation, value addition, and stronger market linkages. Yet despite a decade of vigorous policy backing and rapid growth in the number of registered FPOs, many organizations struggle to remain viable once initial handholding support ends. Most existing research and government evaluations judge FPO sustainability chiefly through turnover, profit, membership numbers, and continuity of operations. These are meaningful metrics, but they miss the institutional, social, and environmental dynamics that ultimately decide whether an FPO matures into a durable, farmer-owned enterprise. This paper contends that sustainability is not reducible to financial performance alone. Drawing on a practice-based conceptual method, it weaves together existing scholarship, policy frameworks, and the author's own decade-plus experience building, mentoring, governing, and reviving FPOs in Odisha, Madhya Pradesh, and Uttar Pradesh. Cases spanning tribal producer companies, single-commodity enterprises, women-led organizations, natural-farming collectives, and revived dormant FPOs are used to surface institutional patterns that existing scholarship has largely overlooked. From this synthesis, the paper proposes an Integrated Sustainability Framework for Farmer Producer Organizations (ISF–FPO), which frames sustainability as the interplay of four mutually reinforcing dimensions — financial, institutional, member, and ecological sustainability — bound together by what the paper terms trust capital. The argument is that an FPO's worth should not be judged by how much profit or turnover it generates, but by whether it produces enough surplus to cover its operating and human-resource costs while simultaneously deepening member ownership, institutional independence, environmental care, and lasting value for its farmer-shareholders. The paper's contribution lies in offering a conceptual model, rooted in practice, that connects policy design with the realities of implementation — useful to researchers, policymakers, promoting agencies, lenders, and FPO leadership alike as they build sharper indicators and strategies for long-term FPO viability.

KEYWORDS: Farmer Producer Organizations, Producer Companies, Sustainability, Collective Action, Governance, Trust Capital, Member Ownership, Rural Institutions, Agricultural Value Chains, India.

1. INTRODUCTION

Agriculture remains the backbone of India's economy — contributing about 18% of GDP and employing nearly half the workforce — yet it is marked by fragmented landholdings, a preponderance of small and marginal cultivators, limited mechanisation, weak market access, and mounting climate risk. Census data show that 86% of India's operational holdings belong to small and marginal farmers cultivating under two hectares. Because their harvestable surplus is small, these farmers carry little bargaining power and struggle to reach buyers beyond their immediate locality. [1] Such households typically find it hard to access formal credit, modern equipment, and adequate storage. Even though they collectively account for a large share of national output, their limited scale, restricted access to institutional finance, and weak input access keep them locked out of more remunerative markets. These structural disadvantages have only intensified since the 1991 liberalisation reforms. [2] Agricultural markets have since moved from local, informal exchange toward tightly integrated value chains defined by strict quality norms, traceability demands, digital commerce, and a growing private-sector presence. These shifts have opened new opportunities but also exposed smallholders to sharper competition and risk. On their own, small farmers typically lack the scale, technical know-how, storage, logistics, and market intelligence that these emerging markets demand. Collective action has therefore become a key strategy for improving smallholder competitiveness, and FPOs have risen to prominence as farmer-owned enterprises that aggregate produce, improve access to inputs and services, strengthen market linkages, encourage value addition, and boost farmers' bargaining power. Unlike welfare-style development programmes that cast farmers as beneficiaries, the FPO model treats them as shareholders, entrepreneurs, and decision-makers — a genuine shift from welfare-driven support toward enterprise-led rural development. The Government of India has placed considerable policy weight behind this shift. Bodies such as the Small Farmers' Agribusiness Consortium (SFAC), NABARD, the National Cooperative Development Corporation (NCDC), state governments, agricultural universities, and various development agencies have invested heavily in producer-owned enterprises. The Central Sector Scheme to form and promote 10,000 FPOs stands as one of the largest such public efforts anywhere in the world, aiming to raise farm incomes through aggregation, better access to technology and credit, stronger value-chain participation, and improved market competitiveness. Yet numerical growth has not translated smoothly into durability. Many FPOs falters once the initial handholding period under government schemes concludes. Common struggles include raising member equity, securing working capital, hiring professional managers, building profitable operations, and forging lasting market ties. In several instances, FPO activity never moves past input distribution or subsidy-linked work to become a genuinely commercial enterprise. The real measure of FPO promotion, then, is not how many organizations get registered but how resilient, participatory, and financially sound they become over time. The existing literature has done valuable work on FPOs' role in raising productivity, improving market access, enabling collective procurement, and lifting incomes, and has examined governance, financial performance, credit access, policy implementation, value-chain integration, and institutional support. But much of this work is fragmented — narrowly focused on single dimensions, regions, or commodities — and pays comparatively little attention to sustainability as a multidimensional phenomenon spanning governance, leadership, strategy, financial resilience, member engagement, technology, institutional convergence, and adaptive capacity. The voices of practitioners who have spent years directly supporting FPOs on the ground remain underrepresented in this literature.

This paper tries to close that gap through a practice-informed conceptual lens, combining relevant scholarship and policy review with the author's own experience mentoring roughly twenty-five FPOs across Odisha, Madhya Pradesh, and Uttar Pradesh. Rather than treating these field experiences as statistically representative data, the paper uses them to surface recurring patterns and contextual realities that complement what the literature already tells us, producing a more rounded picture of what drives FPO sustainability.

The central argument is that sustainability cannot be purchased through financial assistance or policy support alone. It emerges instead from the ongoing interplay of sound governance, professional management, member participation, business planning, market orientation, technological adoption, institutional partnership, and a supportive policy environment. A shortfall in any one of these areas can undermine an FPO’s long-term prospect no matter how much external support it has received; conversely, thriving FPOs show that institutional maturity is built through continuous learning, adaptive leadership, diversification, and real value creation for members. Building on this, the paper proposes an integrated framework treating sustainability as a multidimensional construct spanning institutional, financial, managerial, technological, social, and policy concerns — moving beyond piecemeal accounts of individual problems toward a systematic base for designing future interventions, useful to policymakers, practitioners, promoters, researchers, lenders, and producer organizations alike. This conceptual argument is grounded in the author's sustained engagement with FPOs across varied agro-ecological and institutional settings in India — including promoting four FPOs in Odisha between 2010 and 2014 (serving as an expert director in one), and subsequently mentoring twenty Farmer Producer Companies (FPCs) — four in Uttar Pradesh and sixteen in Madhya Pradesh — spanning vegetables, millets, poultry, soybean, wheat, onion, garlic, groundnut, mustard, oil processing, pulses, honey, dairy, agri-inputs, custom hiring, irrigation equipment, and value-added products. These experiences reveal a paradox that conventional sustainability measures fail to capture. Some FPOs post strong turnover and profit yet remain heavily reliant on outside managerial support; others build deep member trust and commercial relationships despite thin margins or an inability to pay dividends. Some expand membership quickly through value-added services, while others stay economically sound but institutionally concentrated in the hands of a few directors. Likewise, FPOs earning profit from selling chemical fertilisers and pesticides may look commercially successful while quietly undermining the ecological base their own business depends on. Such contrasts suggest FPO sustainability cannot be collapsed into financial performance alone. It should instead be understood as a dynamic, multidimensional process in which economic viability, market access, member ownership, institutional independence, inclusive governance, social cohesion, ecological health, and adaptive capacity all interact. The ISF–FPO framework proposed here grows directly out of this practice-grounded understanding. The remainder of the paper traces the evolution of FPOs in India and the policy context behind them; sets out the conceptual approach combining literature, policy, and field experience; examines the critical gaps in FPO sustainability through practice-based cases; presents the Integrated Sustainability Framework; and closes with policy recommendations and directions for future research.

2. EVOLUTION OF FARMER PRODUCER ORGANIZATIONS IN INDIA

FPOs represent a major institutional innovation aimed at overcoming the structural limits facing small and marginal farmers in an increasingly market-driven economy. Their evolution has been shaped by decades of policy reform, shifting market conditions, and the recognition that individual smallholders rarely have the scale needed to compete in modern value chains. The FPO model blends collective action with the discipline of professionally run enterprises, giving farmers a path to higher incomes while keeping ownership and democratic control in their own hands.

2.1 Historical Background

Collective farmer action in India predates FPOs by decades. Pre-independence agricultural cooperatives were built mainly to widen access to institutional credit and reduce reliance on moneylenders; after Independence, the cooperative movement grew substantially under state patronage, playing a central role in input procurement, fertiliser and seed distribution, dairy development, and agricultural credit.

The dairy sector's success — especially the model built by the Gujarat Cooperative Milk Marketing Federation under Dr. Verghese Kurien — showed what farmer-owned enterprises could achieve, and similar structures followed in sugarcane, cotton, oilseeds, fisheries, and horticulture. Yet, having spent eight years within Odisha's oilseed cooperative structure under NDDB, the author's own view is that no cooperative sector besides dairy has achieved comparable, lasting success in India.

Many cooperatives eventually ran into serious institutional trouble — excessive government interference, bureaucratic control, political meddling, weak accountability, and limited professional management — leaving them overly dependent on state support and slow to adapt to changing markets. This pushed policymakers to look for alternative models that would keep the benefits of collective action while allowing greater entrepreneurial freedom and operational autonomy.

2.2 Liberalisation and the Need for New Institutions

The 1991 reforms reshaped Indian agriculture — sharpening competition, drawing in private players, boosting exports, and knitting domestic farming into global value chains. Alongside new opportunities came new risks for smallholders: sharper market volatility, tougher quality standards, competition from large agribusiness, higher transaction costs, price uncertainty, and rising input costs.

Lacking marketable surplus, bargaining power, storage, transport, processing capacity, and market intelligence, fragmented smallholders found it hard to negotiate with traders, processors, exporters, and organised retail — underscoring the need for institutions that could aggregate output while keeping ownership with farmers. FPOs emerged as the institutional answer to this shifting landscape.

2.3 The Y.K. Alagh Committee and the Producer Company Concept

A defining moment came with the High-Powered Committee on Cooperatives chaired by Professor Y.K. Alagh, which concluded that the existing cooperative framework could not adequately support commercially oriented, producer-owned enterprise in a liberalised economy. [3] The Committee proposed a model combining democratic member ownership, professional corporate management, limited liability, operational flexibility, business efficiency, and reduced government interference — recommendations that led to the Producer Company concept being written into the Companies Act through 2002 amendments, allowing primary producers to form companies that kept cooperative principles while operating under corporate governance norms. This was a genuine institutional innovation, marrying the social purpose of collective action with the commercial discipline of private enterprise.

2.4 The Producer Company Model

Producer Companies differ meaningfully from traditional cooperatives, even though both are producer-owned. They enjoy greater managerial flexibility and business freedom, built around voluntary membership, one-member-one-vote regardless of shareholding, limited liability, professional CEOs, business-oriented operations, member equity, and surplus distribution tied to patronage and shareholding. These features let Producer Companies compete more effectively in modern markets while protecting member interests — and, unlike cooperatives, they are expected to function as genuinely viable businesses generating sustainable returns.

2.5 Institutional Support for FPO Promotion

Several national institutions have driven FPO promotion. SFAC was among the earliest, offering equity grants, credit guarantees, and business incubation support while helping mobilise farmers and build market linkages. NABARD expanded its role through capacity building, producer organisation development funds, training, and financial assistance — extending beyond formation into governance, business planning, and leadership development. NCDC diversified into financing infrastructure, storage, processing, and marketing networks. State governments, agricultural universities, Krishi Vigyan Kendras, NGOs, and other development agencies have added technical assistance, extension services, and entrepreneurship support — together turning FPO promotion into a nationwide movement rather than a set of scattered projects.

2.6 The 10,000 FPO Mission

In 2020, the Government of India launched the Central Sector Scheme for the Formation and Promotion of 10,000 FPOs, aiming to strengthen farmer collectivisation across cereals, pulses, oilseeds, horticulture, dairy, fisheries, bamboo, spices, medicinal plants, and tribal products. Its goals include raising farm incomes, promoting aggregation, strengthening market access, enabling value addition, widening credit access, encouraging technology adoption, and building rural entrepreneurship. Cluster-Based Business Organisations (CBBOs) provide handholding support in mobilisation, registration, governance, business planning, market linkage, and capacity building — making this one of the largest global initiatives of its kind.

2.7 Diversification Across Value Chains

Many FPOs began with simple input procurement — fertiliser, seed, pesticide, machinery — before diversifying into aggregation, grading, storage, processing, branding, packaging, logistics, and direct marketing. Contemporary FPOs increasingly engage in seed production, custom hiring, primary and food processing, export marketing, organic certification, digital marketing, contract farming, e-commerce, agri-tourism, and climate-smart agriculture — creating multiple revenue streams and reducing dependence on any single commodity or season.

2.8 Emerging Success Stories

Several FPOs demonstrate that professionally run farmer-owned enterprises can compete domestically and globally. Sahyadri Farmers Producer Company in Maharashtra has grown into one of India's largest horticulture-based Producer Companies, linking grape, tomato, and pomegranate growers to modern pack houses, cold-chain infrastructure, export markets, processing, and branded products, substantially raising member incomes. Chetna Organic Farmers Association has organised smallholder cotton growers into sustainable organic value chains connected to national and global textile markets through certification, traceability, and fair-trade practice. Mulkanoor cooperative in Telangana and the Centre for Collective Development in Andhra Pradesh have likewise sustained operations for decades. Common threads across these successes include visionary leadership, professional management, diversified business portfolios, market-oriented planning, financial discipline, member participation, ongoing capacity building, and strategic partnerships.

2.9 Persistent Challenges

Despite fast numerical growth, FPO development remains uneven. Many organisations still face inadequate working capital, scarce professional staff, weak governance, limited member participation, poor market intelligence, and inadequate infrastructure, and remain dependent on project funding and subsidies rather than graduating into commercially self-sustaining enterprises. Regional disparities compound this: FPOs in areas with better infrastructure, stronger market connectivity, active support institutions, long-term vision, social cohesion, and diversified, ecologically aware agriculture tend to fare better than those in remote, rain-fed, or tribal regions lacking such vision. Future policy, then, needs to move past headcounts of registered FPOs toward strengthening institutional quality, business viability, and durability.

FPO evolution in India thus traces a shift from state-led cooperatives toward professionally managed, market-oriented, producer-owned enterprise. A more supportive policy climate alone is not enough — sustainable success requires strong governance, professional management, financial access, value-chain integration, and continuous capacity building, themes taken up in the sections that follow.

2.10 From Promotion to Sustainability

FPO policy discourse has gradually shifted from formation and promotion toward long-term sustainability. Early efforts emphasised mobilising farmers, registering companies, growing membership, and setting up basic structures — but formation alone does not guarantee ownership or viable business operations.

Four FPCs in Dhar district, Madhya Pradesh (Annex 1), originally promoted in 2016 with NABARD support, each had roughly 100 members when brought under closer supervision in 2023. Though formally established, they had little active business, and many members treated the FPC as an externally funded project rather than their own enterprise — expecting another outside agency to eventually step in with resources and management once the original support lapsed.

What followed illustrates the shift from a project-based to an ownership-based approach. Through sustained mobilisation and persuasion, members came to see that the FPC's survival depended on their own participation and investment; share capital rose, business activity resumed, and members took on greater responsibility. By the 2025–26 season, two of the four FPCs had crossed an annual turnover of ₹1 crore through soybean and wheat trading, with net profits of roughly ₹8 lakh and ₹12 lakh respectively; the other two exceeded ₹60 lakh in turnover with net profits above ₹3 lakh each.

Yet these gains expose a deeper challenge. Continued performance still leans heavily on intensive external persuasion and facilitation. Buyer availability is uncertain, climatic shocks periodically hit soybean and wheat output, and institutional markets for onion and garlic remain thin. Local traders are often the only ready buyers, and margins are too slim to cover the cost of professional management such as accountants or CEOs. The lesson: moving from formation to sustainability means shifting from externally driven existence to internally owned, economically resilient collective action — and turnover and profit, while necessary, are not sufficient measures of that shift.

3. CONCEPTUAL APPROACH AND BASIS OF THE PAPER

The framework in this paper grew out of the author's engagement with FPOs between 2010 and 2026 across Odisha, Madhya Pradesh, and Uttar Pradesh.

This paper takes a practice-informed conceptual approach rather than relying on survey data or statistical analysis, aiming instead to build a conceptual understanding of what makes an FPO sustainable. Three complementary sources feed into it: (i) published scholarship on producer organisations and collective action; (ii) policy documents and institutional guidelines on FPO promotion in India; and (iii) the author's long engagement in establishing, mentoring, reviving, and governing FPOs across varied socio-economic and agro-ecological settings. The scholarly literature has generated useful insight into governance, finance access, market integration, value-chain development, and institutional performance, but tends to treat these issues in isolation or within narrow regional contexts, leaving a gap in understanding sustainability as a dynamic interplay of financial viability, governance, member participation, and ecological responsibility. [4] Policy documents and institutional reports lay out the intended design of the FPO ecosystem — the roles of promoting institutions, CBBOs, lenders, and capacity-building agencies — but implementation often reveals real gaps between policy intent and institutional reality, gaps best understood through direct field insight. [5]

The most significant of the three sources is the author's own decade-plus of work with FPOs across Odisha, Madhya Pradesh, and Uttar Pradesh — promoting new organisations, reviving dormant ones, strengthening governance, facilitating market linkages, supporting business planning, sitting on boards, and mentoring FPO leaders. These experiences are treated not as statistically generalisable evidence but as practice-based observations pointing to recurring institutional patterns, later read against the existing literature.

The author's initial 2010–2014 engagement involved mentoring four Producer Companies in tribal western and southern Odisha, built around cereal and vegetable value chains. Early mobilisation was encouraging and collective procurement and marketing got underway, but commercial activity stayed confined to nearby local markets. Limited scale, no diversified market channels, and little value addition left revenue too thin to cover recurring costs — salaries, administration, business development, managerial support. Once external handholding ended, the organisations gradually went dormant despite retaining membership and goodwill — a clear lesson that mobilisation and registration alone cannot secure sustainability unless the business model generates adequate, continuous internal revenue.

A contrasting case is the Pateneswari Farmer Producer Company in Koraput, Odisha (Annex 2), where the author served as Expert Director. Built around pulpwood plantations tied to a nearby paper mill, the company benefited from an assured industrial buyer, enabling efficient aggregation, an annual turnover near ₹10 crore, steady profits, and dividend payouts — a financially strong Producer Company by any measure. But closer engagement revealed that strategic planning and day-to-day management stayed largely in the hands of professionals from the promoting agency; the elected Board formally governed the company but exercised limited real influence over strategy. Because the enterprise kept generating profit and dividends, shareholders had little appetite to demand a bigger governance role. This pointed to an important insight: financial success does not equal institutional sustainability, since an FPO can remain profitable while still depending heavily on external managerial leadership.

The author's 2023 work reviving four dormant FPCs in Dhar district, Madhya Pradesh, deepened this understanding further. Originally promoted in 2016 under NABARD support via a CBBO, each organisation had only around a hundred shareholders by the time of intervention, board meetings had grown irregular, business had nearly stopped, and both directors and members had largely disengaged — the legal shell survived, but institutional vitality had faded.

Revival therefore began with rebuilding institutional confidence rather than expanding business: regular Board and General Body meetings resumed, statutory compliance was restored, mandi licences were secured to allow trading, and repeated village visits kept members engaged. Many initially assumed fresh external funding had simply arrived again — a sign of persistent dependence on project-based support — but sustained engagement over two years gradually built genuine confidence. Shareholder membership grew from roughly 400 to nearly 7,000 across the four companies, which began aggregating and marketing soybean, wheat, onion, and garlic. Annual turnover topped ₹60 lakh at each organisation, operational profits began appearing, and one FPC diversified into wheat grading, local value addition, and an expanded input business — showing that dormant FPOs can indeed be revived through sustained institutional work paired with commercially relevant opportunity.

Yet the Dhar experience also revealed a second layer of difficulty: although about 70% of shareholders bought inputs through their FPO thanks to competitive pricing, only around 30% sold their produce through it. Many kept selling to local traders despite acknowledging irregular weighing and quality deductions — traders offered slightly higher prices, collected produce at the farmgate, and often gave advance payments during the season that created informal obligations. FPOs, by contrast, followed transparent quality checks but often paid late due to limited working capital, and the absence of early dividend payouts left members unconvinced of the long-term benefit of collective marketing.

A further contrast comes from the KenBetwa Farmer Producer Company in Tikamgarh district, Madhya Pradesh (Annex 3) — a women-led organisation that shows how sustained member service can steadily build trust and transform performance. Starting with around 350 shareholders and modest success in groundnut marketing, the Board pivoted to wheat when groundnut prices fell, supplying certified seed below market price ahead of the season — a move that both grew the shareholder base and deepened relationships with existing members.

At harvest, members voluntarily sold through the FPO despite payment delays, because trust had already been built through earlier dealings. This let the company aggregate roughly 440 metric tonnes of wheat and forge a lasting supply relationship with a major institutional buyer, Britannia. Within a year, annual turnover rose from about ₹36 lakh to nearly ₹2 crore, with profitability improving sharply alongside diversification into community-based cold-pressed oil processing supported by the Department of Agriculture — giving member households access to healthier cooking oil while adding service revenue for the FPO. This case suggests that trust built through repeated economic dealings can become a genuine strategic asset, reinforcing member participation, market competitiveness, financial performance, and institutional standing all at once.

Similar patterns turned up across roughly 20 FPOs the author supported in Madhya Pradesh and Uttar Pradesh (Annex 4). Many mobilised shareholders and began business operations successfully, but aggregation volumes often fell short of the 30–50 metric tonne lots institutional buyers typically require — meaning even where markets existed, thin member participation blocked access to higher-value commercial channels. This suggests member ownership cannot be measured simply by counting registered shareholders; it shows up instead in members' willingness to keep transacting through their own organisation even when other market channels are available.

A further conceptual insight came from comparing FPOs under different production systems. In Chhindwara district, Madhya Pradesh, several vegetable-based FPOs achieved turnovers of ₹2–3 crore mainly by selling chemical fertiliser and plant protection products — profitable enough to sustain operations. FPOs in the Bundelkhand region of Uttar Pradesh, by contrast, took a natural-farming approach and produced bio-inputs; these contributed positively to environmental health but faced limited commercial demand, constraining their finances. This raises a fundamental question: should FPO success be judged purely on financial profitability, or should long-term ecosystem health, soil fertility, farmer capacity, women's leadership, and community resilience also count?

These varied experiences underpin the paper's central proposition: FPO sustainability cannot be captured by a single indicator such as turnover, profit, or membership growth. It is instead the joint outcome of several interacting dimensions — financial viability, institutional autonomy, member ownership, and ecological responsibility — and an FPO may excel in one dimension while remaining vulnerable in another. Genuine sustainability calls for integrated progress across all of them.

The Integrated Sustainability Framework proposed here grows directly from this blend of literature, policy, and field experience, aiming to bridge the gap between policy expectation and ground reality by treating sustainability as a multidimensional process rather than a single outcome — a tool for researchers, policymakers, promoting institutions, CBBOs, lenders, and FPO leaders to design interventions that build not just commercial performance but institutional resilience, member ownership, and lasting contribution to rural development.

4. INTEGRATED SUSTAINABILITY FRAMEWORK FOR FARMER PRODUCER ORGANIZATIONS (ISF–FPO)

Rethinking Sustainability

FPO sustainability sits at the centre of India's agricultural development policy, especially given the scale of government investment in farmer collectivisation. Most policy documents and evaluations rely on turnover, profitability, membership growth, business diversification, and continued operation after external support ends. These are useful signals but do not fully capture the institutional realities that determine whether an FPO can function as a resilient, member-owned enterprise over the long haul.

Field experience across Odisha, Madhya Pradesh, and Uttar Pradesh shows that financially successful FPOs may still lean heavily on external professional support for decision-making, while others with strong member participation may struggle to generate enough business to cover costs. Some FPOs post strong commercial growth through activity that raises real ecological questions. No single indicator, in short, tells the full sustainability story.

This paper therefore proposes the Integrated Sustainability Framework for Farmer Producer Organizations (ISF–FPO), treating sustainability as the product of interaction among four mutually reinforcing dimensions — financial, institutional, member, and ecological sustainability — with trust capital as the central force binding them together over time. Rather than operating independently, these dimensions continuously shape one another: weakness in one eventually drags down the rest, while balanced progress across all four strengthens overall resilience.

The framework's central claim: an FPO should not chase profit maximisation alone but should generate a stable, sufficient economic surplus to sustain professional operations while building member ownership, institutional capacity, and ecological stewardship in tandem.

4.0 Policy Ecosystem: The Enabling Environment

The four dimensions do not function in a vacuum — they are shaped by the wider policy ecosystem of institutions, regulations, financial mechanisms, market infrastructure, and support agencies that either enable or constrain FPO growth. The Government of India has built a substantial institutional architecture for this — the 10,000-FPO scheme, NABARD, SFAC, NCDC, state governments, universities, financial institutions, and CBBOs — offering equity grants, credit guarantees, capacity building, incubation, market linkage, infrastructure support, and technical advice during an FPO's early year.

Field experience makes clear, though, that policy support alone cannot guarantee sustainability. It creates an enabling environment, but long-term durability depends on how well the FPO converts that external support into internal organisational capacity — policy can facilitate sustainability, but it cannot substitute for governance, member ownership, financial discipline, or ecological responsibility.

The ISF–FPO framework therefore places the policy ecosystem as the outer enabling layer around the four core dimensions. Government policy strengthens each dimension by improving finance access, institutional capacity, market integration, environmentally responsible agriculture, and professional management — but its effectiveness ultimately hinges on whether members and leaders turn these external opportunities into lasting institutional practice. Sustainable FPOs emerge not because policy support exists, but because organisations steadily reduce dependence on it while building their own financial viability, institutional autonomy, member ownership, and ecological care.

4.1 Financial Sustainability

All four dimensions ultimately serve one overarching goal — member prosperity — with financial viability as the means rather than the end; institutional systems, member participation, and ecological stewardship together determine whether financial gains actually translate into lasting prosperity for shareholder households.

Financial sustainability is the operational bedrock of any FPO — without it, an FPO cannot retain staff, maintain infrastructure, provide services, or grow. But field experience shows this should not be equated simply with high turnover: some FPOs post impressive volumes yet earn only thin surpluses after expenses, while others achieve healthy margins on moderate turnover through efficient management and smart commodity choices.

The Odisha cereal- and vegetable-based FPOs illustrate the downside: strong early mobilisation but business confined to local markets, leaving little room for value addition or expansion, and revenue too thin to cover recurring costs — so the organisations went quiet once external support ended. Pateneswari, by contrast, built its model around assured industrial demand for pulpwood, giving it stable market access, guaranteed procurement, and predictable pricing that produced strong turnover and regular profit — showing that sustainability depends less on the commodity itself than on reliable demand, efficient aggregation, and effective value-chain integration.

Financial sustainability, then, hinges on working capital, liquidity management, business diversification, value addition, efficient procurement, and stable market relationships, and should be assessed through operational self-sufficiency, positive cash flow, the ability to meet recurring costs, adequate working capital, diversified revenue, and capacity for future investment.

4.2 Institutional Sustainability

Where financial performance determines economic survival, institutional sustainability determines organisational survival — the capacity to function through the FPO's own governance rather than continued reliance on promoting agencies or outside professionals. This spans effective Board functioning, transparent decision-making, leadership development, succession planning, statutory compliance, and organisational learning.

The Pateneswari case is instructive here: despite consistent profit, dividends, and business growth, strategic planning and management stayed heavily dependent on professionals from the promoting institution, with many elected directors remaining passive because commercial success left little pressure to build governance capacity or new leadership. This raises the question of whether an FPO can be called fully sustainable if its commercial success rests on people outside its own membership — and the framework's answer is no: institutional sustainability requires ownership, leadership, and managerial competence to shift gradually from promoters to members.

The Dhar revival reinforces this: structures existed on paper, but governance had gone dormant, with irregular meetings and near-zero shareholder participation. Revival started not with business expansion but with rebuilding governance — regular meetings, member engagement, legal compliance, and renewed director confidence — treating governance as a productive organisational asset rather than a mere statutory box to tick.

4.3 Member Sustainability

Perhaps the most overlooked dimension is the sustainability of member engagement itself. FPOs differ fundamentally from ordinary companies because members simultaneously act as shareholders, suppliers, customers, beneficiaries, and owners — so enterprise success depends not just on management but on members' willingness to actually transact through their own organisation.

Dhar district shows this complexity: continuous mobilisation grew shareholder numbers from about 100 to nearly 7,000 per FPO cluster, and input business grew fast because inputs were priced below the local market, with roughly 70% of shareholders buying through their FPO. But output marketing lagged — only around 30% sold through the FPO — because traders offered marginally better prices, collected produce at the farmgate, and sometimes advanced payments during the season that created informal obligations, while FPOs followed transparent but slower-paying procedures constrained by limited working capital. Member loyalty, in other words, cannot be assumed just because farmers hold share certificates; it builds gradually through repeated positive experience, transparent governance, reliable service, and visible benefit.

KenBetwa offers the contrasting case: sustained member service steadily broadened its shareholder base and deepened relationships, and the trust this built let the company aggregate about 440 metric tonnes of wheat and secure a long-term buyer relationship with Britannia, lifting turnover from roughly ₹36 lakh to nearly ₹3 crore within a year. The lesson is that dividend payouts alone don't create ownership — ownership grows when members come to see the FPO as the most dependable institution for their production, marketing, and service needs.

4.4 Ecological Sustainability

The fourth-dimension pushes beyond conventional FPO evaluation. Most assessments focus on financial and institutional metrics with little regard for the ecological consequences of an FPO's business model — yet agricultural sustainability ultimately rests on the long-term health of soil and other natural resources.

Chhindwara district illustrates the dilemma: several FPOs achieved strong financial performance from large-scale fertiliser and pesticide sales driven by intensive vegetable cultivation — profitable, but raising concerns about soil degradation, environmental health, and growing dependence on external inputs. Bundelkhand's natural-farming FPOs took the opposite path, producing and marketing bio-inputs and encouraging ecologically sound practice, but faced limited commercial demand that constrained growth and viability. The real challenge is not choosing one objective over the other but developing business models that progressively reconcile financial viability with environmental stewardship — making ecological sustainability an explicit part of FPO evaluation and pushing organisations toward enterprises that strengthen incomes, conserve resources, and build climate resilience together.

4.5 Interdependence of the Four Dimensions

The four dimensions are not independent components. Financial sustainability funds professional management and member services; strong governance sharpens financial discipline and strategy; active member participation lifts business volume and legitimacy; ecologically sound production improves long-term productivity and reduces future risk, in turn supporting financial resilience.

Weakness anywhere constrains the rest: strong finances paired with weak governance breeds dependence on outside agencies; committed members without sound business planning can still fail economically; environmentally responsible enterprises that aren't commercially viable may struggle to survive. Sustainable FPO development therefore calls for integrated investment across all four dimensions rather than a narrow focus on business expansion or profit alone.

4.6 Proposition Emerging from the Framework

Drawing together literature, policy analysis, and field observation, the paper advances this proposition: an FPO should be considered sustainable only when it simultaneously shows financial viability, institutional autonomy, active member ownership, and ecological responsibility — strength in one dimension cannot fully offset persistent weakness in the others.

This grounds the section that follows, which examines the critical gaps keeping many Indian FPOs from achieving integrated sustainability across all four dimensions. Sustainability, the field evidence suggests, is neither linear nor one-dimensional — different FPOs may be strong in one respect and weak in another.

Schematic Figure 1. Integrated Sustainability Framework for Farmer Producer Organizations (ISF–FPO)

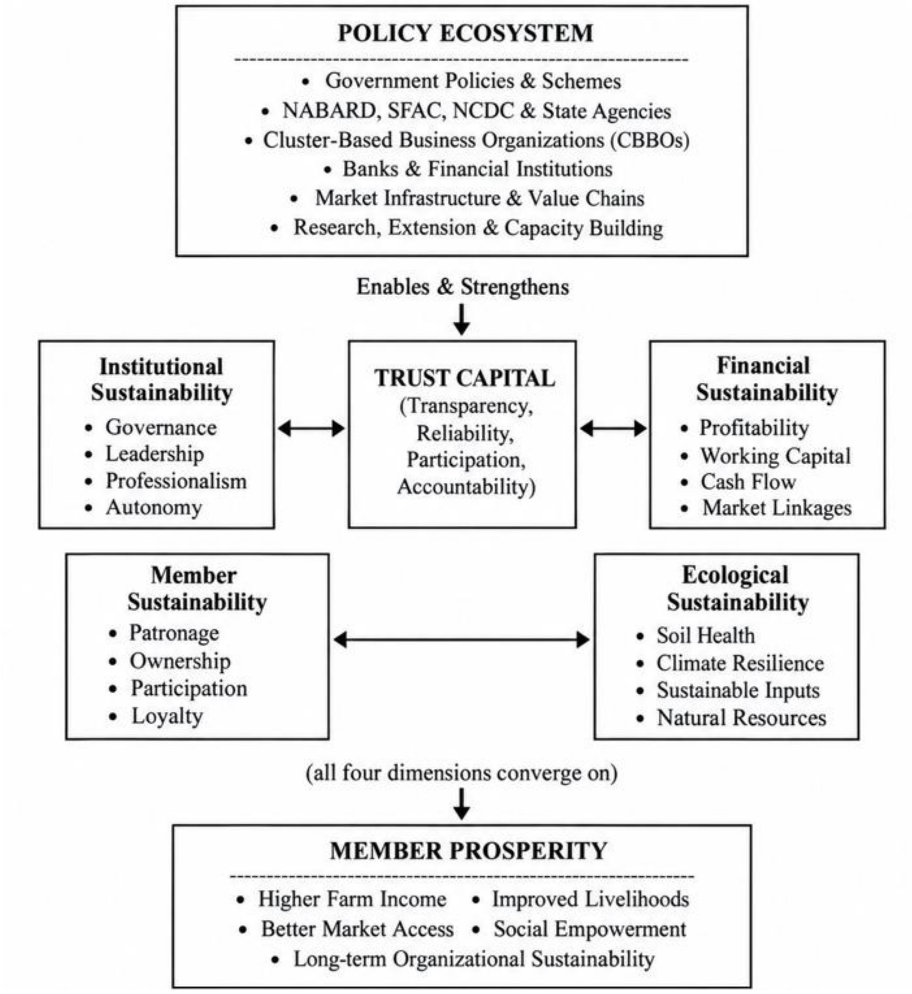


Table 1: Illustrative Sustainability Dimensions by FPO

FPO	Financial	Institutional	Member	Ecological
Odisha Tribal	Low	Moderate	Moderate	High
Pateneswari	High	Low	Moderate	Moderate
Dhar Revival	Moderate	Improving	Improving	Moderate
Chhindwara	High	Moderate	Moderate	Low
Bundelkhand	Low	Moderate	High	High
KenBetwa	High	High	High	High

Table 1 is illustrative rather than evaluative, meant to show the relative strengths and weaknesses observed across the four dimensions — and it makes one thing clear: no FPO is perfectly sustainable across the board.

Integrated Sustainability Spectrum

No FPO achieves perfect sustainability across every dimension; organisations instead move continuously along a spectrum, showing strength in one area while lagging in another at different stages. The goal of institutional development is not perfection but steady movement toward integrated sustainability — every FPO sits somewhere on this spectrum. This leads to five propositions:

Proposition 1: Trust built through consistent service delivery is an intangible organisational asset enabling aggregation, member loyalty, market access, and long-term sustainability.

Proposition 2: Member patronage is a stronger indicator of sustainability than membership size.

Proposition 3: The shift from promoter-led to member-led enterprise is the defining process of FPO institutional development.

Proposition 4: A financially successful FPO cannot automatically be called sustainable unless financial viability comes paired with institutional autonomy, active member ownership, and environmental responsibility.

Proposition 5: An FPO's aim should not be profit maximisation but optimal surplus generation that sustains institutional continuity while maximising long-term member value.

These propositions point toward the FPO Sustainability Paradox — capturing the essence of the Odisha, Dhar, Chhindwara, and Bundelkhand experiences, and showing why a single metric like turnover or profit fails to capture what genuinely makes an FPO sustainable.

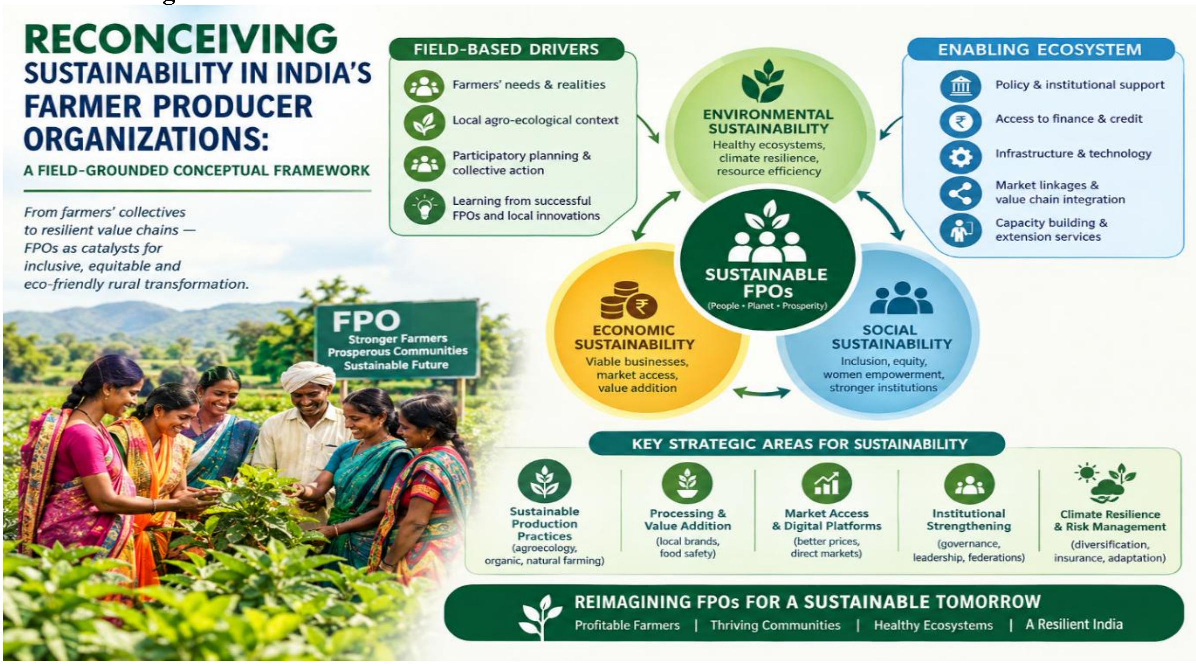
An FPO's sustainability, in the end, rests not on profit maximisation but on its ability to build and balance four forms of value for its shareholder members — economic, institutional, social, and ecological — with trust capital as the force that lets these forms of value reinforce one another over time.

5. CONCLUSION

An FPO's purpose is not to maximise financial profit but to create sustainable value for its shareholder members. Financial surplus matters because it lets the organisation retain professional management and keep delivering services — but lasting sustainability ultimately depends on whether members see the FPO as genuinely their own, conduct their economic transactions through it, take part in its governance, and pursue farming systems that stay economically viable, socially inclusive, and environmentally sound.

The Integrated Sustainability Framework proposed here does not diminish the importance of profitability; it repositions profitability within a broader understanding of sustainability. Financial surplus remains indispensable for professional management, innovation, and growth — but an FPO's ultimate purpose is to build enduring value for its shareholder members through democratic governance, collective enterprise, ecological responsibility, and trust-based relationships. FPO policy should move beyond registration counts, turnover, and profit as sole measures of success, and instead ask how far these organisations are evolving into autonomous, member-owned institutions capable of sustaining both rural livelihoods and agricultural landscapes.

Schematic diagram on FPO



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