

Strategies for Linking FPOs to Contract Farming Companies

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Keywords: Agriculture, FPOs, Market, Contract Farming, Linking.

Abstract: Small-scale farmers are suffering from market uncertainty because the majority of institutional and policy supports benefit large, progressive farms, while smaller farmers are left out, widening the gap between producers and consumers. Farmer Producer Organizations have a significant role in fostering and supporting the member-based institutions of farmers in such circumstances. Using this business form, an organisation can be articulated with at least ten producers in accordance with its memorandum of association. If there is no political intervention, FPOs can efficiently connect smallholder farmers to local, regional, national, and international markets as well as companies. Members of FPOs that are shaped as Farmer Producer Companies (FPCs) have access to financial, executive, and other input services. With a great potential to control future food retails not just in India but throughout the world, FPOs must be competitive with other businesses and competitors in the market to overcome these effective and sustainable profit-making FPOs.

1 INTRODUCTION

“Smallholder farmers who band together to join producer organisations (POs) in order to increase farm income through better production, marketing, and local processing activities.” Illustrated by Rondot and Collion (2001). By offering agricultural inputs, finance, processing, and marketing services, Producer Organizations (POs) are improving successfully the financial standing of their members (Narayanan and Gulati, 2002). By grouping farmers into specific and identifiable producer groups, the agricultural system is more effective and efficient at providing pertinent information and training on specific commodities or products to farmer groups that are growing or producing those crops or items (Swanson, 2008). Additionally, POs are becoming more widely acknowledged as a crucial player in the Agricultural Innovation Platform on a global scale (Heemskerk and Wennink, 2005; Shapland and Kampen, 2006; FAO, 2010). The government has also determined that farmer producer organisations are the ideal institutional structure for mobilising farmers and strengthening their capacity to pool their production as well as marketing strengths (GoI, 2013).

Many POs struggles to maintain their operations after the starting few years of their existence, but a few POs are succeeding (Barman, 2019). In order to accomplish and achieve their goals, POs take part in a variety of activities and organise themselves in various ways, including "legal entities, partners, associations, cooperatives, societies, self-help groups, multi-layer organisations (like local cooperatives and regional or national unions), companies based on shareholders, and some mixed unions of these organisations" (Rondot, 2001).

1.1 Formation of FPOs

Farmers' Organizations (FOs) are crucial organisations for the development of farmers and the remote people and rural poor, as well as for empowering them and reducing their levels of poverty (FAO, 2006). Farmers' organisations should be encouraged to combine the benefits of decentralised production and centralised services, post-harvest management, value addition, and marketing, according to the National Commission on Farmers (NCF), which made this recommendation in 2004.

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Farmers Organizations can take one of the many possible forms, like

- Farmer Interest Groups
a group of farmers that seeks to influence public policy on the basis of a particular common interest or concern
- Commodity Interest Groups -Commodity Interest Group is a self managed, independent group of farmers with a shared goal and interest
- Cooperatives- a business or organization that is owned and run by all of the people who work for it
- Self-Help Groups- informal associations of people who come together to find ways to improve their living conditions
- Farmers' Associations- acts as a channel to make government plans and policies known to all the farmers
- Producer Organizations- a legal entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen
- Federations and Unions- a group of states, etc. that have joined together to form a single group activities needed to ensure that the farmer is able to produce the market-desired products at the right quality, time and price.

The farmers have the option to band together to support particular initiatives and create a producer organisation. These particular tasks include purchasing input, gathering and processing post-harvest, and selling (marketing) goods. FPO may assist farmers with the production of a variety of agricultural products as well as with crop marketing. Small farmers can participate in the market more successfully and cooperatively thanks to farmer associations.

1.2 Contract Farming

An easy idea with significant implications is contract farming. Here, farmers work under a contract to grow crops for a corporation or a cooperative business. The farmer cultivates in accordance with any standards provided by the corporation regarding the produce's quality, variety, price, and other factors.

We can argue that agricultural production occurs in accordance with a contract that is reached between a farmer and a buyer and that specifies the terms under which farm products will be produced and sold.

1.2.1 Advantages of Contract Farming

In India, contract farming is becoming more popular for a number of good reasons.

The contract farming business offers farmers simple access to seeds, tools, and practises. This ensures increased quality and productivity while also lowering production costs and farmer difficulties.

Since there are no middlemen involved, the farmer receives a greater price for their produce. This results in increased profitability.

Small-scale farming may contribute to global food security and maintain its competitiveness with the help of available financial and technical aid. Additionally, they can avoid loans with high-interest rates and severe terms.

Farmers' financial risk is greatly reduced by the partnership. The corporation is responsible for losses if pests, extreme rain, or natural disasters destroy the yield.

Additionally, it gives small farmers access to markets that would not otherwise be available.

1.2.2 Challenges in Contract Farming

The structure is more favourable to the contract farming company, which is a drawback. Small farmers typically have to abide by the company's rules since it sets them. Additionally, there is only one buyer and numerous sellers. Monopsony results, which is not optimal for the farmer. Additionally, because the agreements are sometimes informal, there is a greater potential of contract violations.

1.3 Essential Commodities Act, 2020

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 permits intrastate and interstate trade of farmers' produce outside of the actual APMC market grounds. Outside of APMC zones, state governments are not permitted to impose any kind of market fee, cess, or levy. Through an agreement between a farmer and a buyer made before any farm products are produced or raised, the Farmers Agreement Ordinance establishes a foundation for contract farming. It stipulates a three-level conflict resolution process that includes an appellate authority, a sub-divisional magistrate, and a conciliation board.

Only under extremely rare circumstances and in accordance with the Essential Commodities (Amendment) Ordinance of 2020 may the central government control the supply of specific food goods (such as war and famine). Only in the event of a sharp price increase may agriculture produce stock limitations be implemented.

1.4 Contract Farming Business Models

Informal model - The promoter and the farmer both run the risk of defaulting under this arrangement, which is the most speculative and transient of all contract farming schemes (van Gent, n.d., p.5). The interdependence of contract parties or established, reliable relationships, however, may lessen the danger of opportunistic behaviour. The CF model's unique characteristics include:

Small holders and small farms enter into straightforward, informal seasonal production contracts.

The effectiveness frequently relies on the accessibility and calibre of external extension services.

When embedded services are offered, they are typically confined to the delivery of basic inputs on credit and normally only involve grading and quality control.

Typical products: minimally processed/packaged, vertically coordinated; for example, fresh produce for local markets, occasionally also staple crops.

- **Intermediary model** - In this arrangement, the buyer subcontracts a middleman (collector, aggregator, or farmer organisation) who formally or unofficially hires farmers (combination of the centralized/informal methods). Special features of this CF model include:
 - The intermediary buys the crop and delivers embedded services (often by passing through services provided by purchasers against service fees).
 - If this model is well-designed, incentive structures are sufficient, and there are control mechanisms in place, it can operate.
 - There may be drawbacks to this paradigm in terms of vertical coordination and farmer incentives (buyers may lose control of production processes, quality assurance and regularity of supplies; farmers may not

benefit from technology transfer; there is also a risk of price distortion and reduced incomes for farmers).

- **Multipartite model** - This model may have originated from the centralised or nucleus estate models, such as after the privatisation of para-statal. It involves a number of organisations, including governmental statutory entities, commercial businesses, and occasionally financial institutions. Special attributes:
 - Joint ventures between parastatals, community businesses, and domestic or foreign investors may be part of this approach.
 - The vertical coordination is at the firm's choice. The potential for political influence must get the necessary consideration.
 - In addition, this model might include a farm-firm structure that is reinforced by contracts with outside service providers (e.g. extension, training, credits, inputs, logistics).
 - Farmer organisation and embedded services (such as credits, extension, marketing, and occasionally also processing) may be carried out by independent organisations (such as cooperatives).
 - This model may involve equity share schemes for producers.
- **Centralized model** - In this paradigm, the customers' engagement might range from modest input provision (such as the selection of certain types) to complete control over all elements of production (e. g. from land preparation to harvesting). The most typical CF model, which may be summed up as follows:
 - A vast number of small, medium, or large farmers are served by the buyer's sourcing of their products and provision of services.
 - Farmer-contractor relations and coordination are strictly vertically organised.
 - At the start of the season, the quota, quality requirements, and delivery conditions are established.
 - The production and harvesting procedures and standards are strictly

- regulated, occasionally being carried out directly by the buyer's team.
- Large quantities of uniform quality products, usually for processing, are typical. Examples include sugar cane, tobacco, tea, coffee, cotton, tree crops, vegetables, dairy, and poultry.
- Nucleus estate model - In this approach, the buyer sources from contractual farmers as well as its own estates and plantations. The buyer must make large investments in land, equipment, personnel, and management under the estate system. The following describes this CF model:
 - In order to ensure cost-effective use of installed processing capacities and to fulfil solid sales agreements, the nucleus estate typically assures supplies.
 - The nucleus estate may occasionally be utilised for research, breeding, piloting, demonstration, and/or collection purposes.
 - To emphasise their connection to the nucleus farm, the farmers are occasionally referred to as "satellite farmers." This strategy was frequently applied in the past to state-owned farms that redistributed land to former employees. Today, the private sector uses it as one sort of CF as well. This approach is frequently called the "outgrower model."
 - Common goods: perennials

1.5 Contracts with Input Conditions (IC)

- Credit-provided seeds
- Expansion for mechanisation and better farming techniques
- Extending for more stringent post-harvest procedures
- Irrigation provisions
- Credit-based fertiliser provision
- Credit-based supply of pesticides
- Access to finance for operational needs

1.6 Contracts with Output Conditions (OC)

- Credit-provided seeds

- Expansion for mechanization and better farming techniques
- Extending for more stringent post-harvest procedures
- Irrigation provisions
- Fertilizer supplied on credit
- Pesticides supplied on credit
- Access to finance for operational needs

1.7 Top 10 Contract Farming Companies in India

- Big India Farms
- Dabur Contract Farming
- Goodricke Group Ltd.
- Tata Coffee Ltd.
- Rallis India Ltd.
- Pacific Herbs Agro Farms Pvt Ltd.
- Patanjali Contract Farming
- Anand Agro Group
- Baramati Agro Ltd.
- Himalaya Herbal Healthcare

Big India Farms

The goal of Big India Farms (BIF) is to improve farming methods both in India and overseas while ensuring a steady supply of food. It is owned by 7 Avenues, a conglomerate with diverse business interests in finance, retail, supply chain, and other areas. Currently, BIF cultivates more than 1500 acres. In the next five years, 10,000 acres are anticipated to be added to the property.

BIF, which has its main office in New Delhi, has a strong nationwide network of farmers. They look to the business for advice when choosing crops, seeds, fertilisers, tools, equipment, and other things. Additionally, the farmer gets full assistance with planting, feeding, and harvesting. BIF has a track record of keeping the contract with network farmers and preserving complete openness.

Mango, Neem, Guler, Giloy, Mulberry, Lemons, Roses, Millets, Papaya, Mahua, and Jackfruit are just a few of the many crops that the company grows. Local and regional retail stores have quick lead times to access the whole product portfolio. Unsurprisingly, BIF is at the top of the list of the best contract farming businesses in India, and it will likely maintain this position for some time.

Company Details:

- **Since:** 01 May 2007

- **Parent Company:** 7 Avenues
- **Headquarters:** New Delhi
- **Address:** 5574-A, Kashiram Building, Kohlapur Road, North Delhi, 11000, India
- **Contact No.:** +919755945589, +91-9039651392 (Hindi)
- **Email:** info@bigindiafarms.com
- **Website:** <http://bigindiafarms.com>

Dabur Contract Farming

Contract farming guidelines have been established by Dabur Contract Farming. The company focuses on growing herbs and medicinal plants using environmentally friendly methods. Dabur educates farmers and rural communities on the most modern, resource-saving agricultural techniques to increase production and protect endangered herb species with the aid of neighbourhood NGOs.

The business has the stats to rank among India's top 10 contract farming firms. It has a sizable 1411 acre holding over 13 states in India. Since 2013–2014, the amount of land has increased by 41.5 percent. 1674 farmers were under contract with the business at the last tally. This represents an increase of 57% from the previous year. Over 800 farmers have attended 12 training programmes so far, and 5 lakh seeds have been given away without charge.

Dabur India Limited, as the name suggests, owns and runs Dabur Contract Farming. Dabur, which was founded in Kolkata in 1884, is currently the largest Ayurvedic and Natural Health Care firm in the world, with annual sales of INR 9500 Crores. Dabur provides a wide range of products, including those for hair care, dental care, ginger-garlic paste, honey, coconut milk, and mosquito repellent.

Company Details:

- **Since:** 1884
- **Parent Company:** Dabur India Limited
- **Headquarters:** New Delhi
- **Address:** 8/3, Asaf Ali Road, New Delhi-110002, India
- **Contact No.:** 1800-103-1644 (Tollfree)
- **Email:** daburcares@dabur.com
- **Website:** <https://www.dabur.com>

Goodricke Group Ltd.

Tea and Goodricke go together. The company has entered the contract farming market recently, working with farmers to grow tea. The organisation makes sure that the cultivation is carried out using cutting-edge, environmentally friendly techniques to increase productivity and improve the quality of the produce. To keep farmers modern, Goodricke offers them simple access to loans and technology.

Goodricke, a company based in Kolkata, is one of the top four tea producers in India. The name of the company has been linked to the renowned Darjeeling teas, which are renowned for their delicious flavour and distinctive aroma. Other products, such as loose leaf tea, green tea, tea bags, and more, are as amazing. The loose-leaf assortment includes coveted mixes like Orange Pekoe, Borbam Delight, and Dejo Silver.

The largest producer of tea in the world, Camellia PLC UK, owns Goodricke as a subsidiary. It began in 1977 after the company bought eight Sterling Companies. In West Bengal and Assam, the company currently operates 27 production facilities and more than 30 gardens.

Company Details:

- **Since:** 1977
- **Parent Company:** Camellia PLC UK
- **Headquarters:** Kolkata
- **Address:** Camellia House, 14, Gurusaday Road, Kolkata – 700 019 West Bengal, India
- **Contact No.:** +91-33-22873067, 22878737, 22871816
- **Fax:** +91-33-22872577, 22877089
- **Email:** goodricke@goodricke.com
- **Website:** <http://www.goodricke.com>

Also Check:

- [Top Verticle Farming Companies in India](#)
- [Top Biotechnology Companies in India](#)
- [Top Cyber Securities Companies in India](#)
- [Rarest Plants in the world](#)
- [Top Pen Brands](#)

Tata Coffee Ltd.

The name of Tata Coffee explains it all. It is a division of the Tata Group and is devoted to producing several types of coffee, including instant and green coffee beans. Additionally, the business crops tea and pepper. The goods' delectable flavour, scent, and general excellence have won them acclaim throughout the world. Even major international brands like Starbucks source their mixes from Tata Coffee. The mission of Tata Coffee is to advance contract farming in India.

One of the top integrated coffee cultivation and processing brands in the world, the company has a well-known focus on sustainability and traceability. Tata Coffee had around 19 plantations totaling about 8000 hectares at the most recent count. Southern India has the majority of the world's coffee plantations, where kinds like freeze-dried, agglomerated, and spray-dried coffee are farmed. The tea estates, which produce CTC teas, located in Anamallia and its surrounding areas.

Jamsedji Tata founded the Tata Group, a multinational corporation with 100 companies that operate in almost all industries and regions. The company has recently purchased some of the most prestigious global brands while advancing under the motto "Leadership with Trust." It is one of the largest employers in the world with 750000 employees.

Company Details:

- **Since:** 1922
- **Parent Company:** Tata Group
- **Headquarters:** Bangalore
- **Address:** No.57, Railway Parallel Road, Kumara Park West, Bangalore 560020, Karnataka, India
- **Contact No.:** +91 80 23560695 – 97, 23561976 – 81
- **Email:** anantha.murthy@tatacoffee.com
- **Website:** <https://tatacoffee.com>

Rallis India Ltd.

In an effort to significantly expand its presence in the contract farming market, Tata Group purchased Rallis India in 2004. Crop protection, seeds, plant growth nutrients, and agri-services are all offered by Rallis, which is now a division of Tata Chemicals. The business is well-established throughout India, with a

focus on agricultural states like Maharashtra, Uttar Pradesh, Madhya Pradesh, Punjab, and Haryana.

Rallis has developed into one of the top 10 contract farming businesses in India over the years because to a proactive attitude and intimate knowledge of Indian agriculture. The business uses a carefully thought-out Quad-Partite contract farming concept. Here, among other benefits, the farmer obtains agricultural inputs, money, equipment, and buy-back assurance.

The origins of Rallis may be traced back to the 19th century, when two Greek businessmen established a little store in London. Currently, the corporation uses 2300 distributors to serve the majority of India. The Rallis Kisan Kutumb programme enables the business to communicate with millions of farmers and meet their needs for contract farming and agri-services.

Company Details:

- **Since:** 1815
- **Parent Company:** Tata Group (Tata Chemicals)
- **Headquarters:** Mumbai
- **Address:** 23rd Floor, Lodha Excellus, New Cuffe Parade, Off Eastern Freeway, Wadala, Mumbai 400037
- **Contact No.:** 022 – 6232 7400
- **Email:** investor_relations@rallis.com
- **Website:** <https://www.rallis.co.in>

Pacific Herbs Agro Farms Pvt Ltd.

Pacific Herbs Agro Farms Pvt. Ltd. has established standards for the production of aromatic and medicinal plants. The business, which is based in Nagpur, has been providing dried flowers, herbal extracts, and Indian herbs since 2003. Additionally, the business is one of India's top suppliers of services for contract farming.

The business provides professional Roshagrass and Lemongrass cultivation services. The farmer receives site evaluations, feasibility analyses, seeds, tools, and technical inputs here. Additionally, complete assistance is provided with building up a distillation machine and marketing the finished product. At least 10 acres (irrigated or rain-fed) of land and up to 6 lakhs in initial investment are needed by the farmer.

With projects in seven states—Gujarat, Uttarakhand, Chhattisgarh, Karnataka, Tamil Nadu, Telangana, and Maharashtra—Pacific Herbs has a strong national presence. 16 projects, or the bulk, are located in Maharashtra. Grass Oil, Stevia, Coleus Forskohlii, Mucuna Pruriens, Guar gum, Jatropha, Tulsi, Aloe Vera, and other plants are grown.

Company Details:

- **Since:** 2003
- **Parent Company:** N/A
- **Headquarters:** Nagpur
- **Address:** Kamlinee Cottage, 9, Sant Saikripa Society, Narendra Nagar, Nagpur, Maharashtra, India
- **Contact No.:** +91-94228 81280 / +91-97301 07163 / +91-70837 57145
- **Email:** agrigum@gmail.com
- **Website:** <https://www.aromediherbs.com>

Patanjali Contract Farming

By entering the contract farming market, Patanjali Contract Farming hopes to give farmers the stability and prospects for expansion that they so much need. In order to improve the yield's quality and quantity, the organisation keeps trying new approaches and technology. Patanjali Contract Farming guarantees premium pricing for the goods it purchases from farmers, just like many of India's top 10 contract farming businesses. Moreover, the payments are made in advance.

To keep farmers prosperous, the organisation makes sure that agricultural information, tools, and technical assistance are easily accessible. The primary goal is to grow ayurvedic herbs for use in all Patanjali product categories. Patanjali guarantees that the contract's terms and conditions are upheld throughout. Upholding the highest standards of transparency in all interactions with the farmers requires extreme scrupulosity. Additionally, contractual farmers can anticipate significant annual raises.

One of the most famous brands in India is that of the parent company, Patanjali Ayurved Limited. It began with natural food goods and eventually expanded its product line to include Ayurvedic medicines, personal care items, herbal home care items, fashion, and more. Through an expanding network of authorised dealers all over India, sales are

conducted. Additionally, Patanjali runs a publication division in addition to numerous yoga studios, schools, colleges, and universities.

Company Details:

- **Since:** 2006
- **Parent Company:** Patanjali Ayurved Limited
- **Headquarters:** Haridwar
- **Address:** Patanjali Food and Herbal park, Vill – Padartha, Laksar Road, Haridwar 249404, Uttarakhand – 247663
- **Contact No.:** 1800 180 4108
- **Email:** feedback@patanjaliayurved.org
- **Website:** <https://patanjaliayurved.org/contract-herbal-farming.html>

Anand Agro Group

Through contract farming, Anand Agro Group has been offering independent work options in India. The company's contract broiler farming model, which is accessible in Maharashtra, MP, Gujarat, and other states as well, is growth-oriented, effective, and open. The company currently employs 250 people, operates 5 processing facilities, has 14 lakh broiler farms, and 1050 contract farmers. Additionally, with development plans in the works, the numbers will likely increase soon.

To maintain high standards, Anand Agro has established clear procedures and processes in addition to a solid infrastructure. The business operates a cutting-edge hatchery with a sanitary capacity of handling 1500000 chicks. Additional facilities include an integrated 12 TPH crumble/pallet feed plant, an 8 TPH mash plant, and a 0.5 TPH premix facility. Anand Agro generated over 200 crores in revenue in the prior fiscal year, which attests to the recent expansion of the business.

Company Details:

- **Since:** 1997
- **Parent Company:** N/A
- **Headquarters:** Nashik

- **Address:** 101, Rushiraj house, behind Kotak Mahindra branch, Kulkarni Baug, Lane No.2, College Road, Nashik – 422 005
- **Contact No.:** +91 253 2576913 | 2575186 | +91 88888 59077
- **Email:** helpdesk@anandagro.com
- **Fax :** 91 253 2575404
- **Website:** <http://www.anandagro.com>

Baramati Agro Ltd.

Since 1988, Rajendra Pawar's vision of Baramati Agro Ltd. has led the poultry industry. It has recently expanded its business and become a full-fledged agri-business enterprise with a significant position in contract farming. The business provides complete contract farming solutions that are adapted to the specific needs of each client's business. To maintain openness and consumer satisfaction, the contracts are upheld and carried out.

Along with raising chicken, Baramati Agro also raises a range of fruits, vegetables, sugar, and dairy products. Experienced food analysts and RandD professionals drive the business and put up their best efforts to create high-quality products while keeping costs to a minimum. The main objective is to meet the world's food needs with a sense of urgency and devotion.

As a conglomerate, Baramati Agro has recently expanded into industries like retail, distillation, QSRs, animal feed, and more. Delicious, Freshious, Baramati Agro Feed, Baramati Agro Sugar, Fresh Chicken, Chicken Vicken, and Food 365 are a few of the company's well-known brands. The business remains some of the leading retail chains in the world's chosen suppliers.

Company Details:

- **Since:** 1988
- **Parent Company:** N/A
- **Headquarters:** Pune
- **Address:** 4th Floor, Farina Corporate Park, Kharadi Bypass Rd., Hadapsar, Pune-411028, India
- **Contact No.:** 020-67482800 / 020-67482980
- **Email:** rrp@baramatiagro.com
- **Website:** <https://www.baramatiagro.com>

Himalaya Herbal Healthcare

Himalaya, a family-owned foundation established in the 1930s, is a well-known brand of premium herbal medicinal products. The business creates a variety of efficient goods by fusing traditional herbal medicine knowledge with cutting-edge medical procedures. Four different categories make up their product line, including:

1. General Health
2. Men's Health
3. Women's Health
4. Children's Health

Recently, Himalaya has dabbled in contract farming. To grow and obtain therapeutic plants, the company depends on rural areas. Gram Mooligai Corporation Ltd. (GMCL) primarily purchases from small and marginal growers in South India. To support rural areas' continued profitability, the corporation makes upfront payments that are greater than market rates.

Company Details:

- **Since:** 1930
- **Parent Company:** N/A
- **Headquarters:** Chandigarh
- **Address:** Booths, 433-C, Dakshin Marg, 35C, Chandigarh, 160036
- **Contact No.:** +502-2387-0880, +502-2387-0881
- **Email:** info@guatemalahimalaya.com
- **Website:** <http://himalaya.com.gt>

1.8 Strategies for Linking

1. Producer organisations and contract farming are complementary techniques, not rival ones, and they should be used together.
2. Promote contract farming in the state, and have a single point for registering contract farming sponsors.
3. Reduce barriers in terms of requirement of high deposit amounts

2 CONCLUSION

Small and marginal farmers are in major numbers in India. Their problems are tough to solve with only making them groups through FPOs rather they should be provided the optimum price for their effort to make the country as well as the world hunger free. So, contract farming is a boon for them to get a good price and regularly keeping eye on the climate. These FPOs and contract farming companies can be linked through the prior discussion with the farmers regarding the required crops or products needed for the companies as raw material. Again, the companies can recruit members of the farmers' families as employees in different positions. These provisions can make the FPOs and contract farming companies' linkage successful as well as boost the farmers' income.

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