

Value Creation in Mushroom Business through Farmer Producer Organizations (FPOs)

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INTRODUCTION

Mushroom and mushroom based products are getting wide attention from various corners because of their unique value proposition. Certain trends such as an increasing demand for protein rich diet by vegan population is one of the key drivers of this business. It has four key nutrients namely selenium, vitamin D, glutathione (amino acids glycine, cysteine, and glutamic acid), and ergothioneine (an amino acid) that help mitigate oxidative stress and prevent or decrease the risk of chronic conditions such as cancer, heart disease, and dementia. Additionally, it offers a strong natural umami flavor (savory or meaty taste of foods). Due to this, it also helps in reduction of salt intake by 30-40% and thus beneficial for health. Due to all the above reasons, we also consider mushrooms as a superfood.

Market growth of Mushroom

The global mushroom market size was valued at USD 50.3 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 9.7% from 2022 to 2030 (Skyquest, 2023). As per this report, out of this, the button product type segment dominated the market and accounted for the largest volume share of 61.8% in 2021. The segment is expected to witness a revenue-based CAGR of 8.9% over next 8 years. Shiitake mushrooms have been a part of traditional medicines in countries such as Japan, China, and South Korea, as their consumption boosts health and longevity, along with improved blood circulation. The oyster type is expected to witness the highest revenue-based CAGR of 11.3% over the forecast period. When we talk about Indian market, the scenario is equally promising. According to IMARC, Indian mushroom market is expected to grow at a CAGR of 7.6% during next 5 years (up to 2028). India accounts for just 2% of the world's mushroom production, with China providing the lion's share at 75%.

According to data released by the National Horticulture Board, in 2021-22, Bihar produced more than 28,000 tonnes of mushrooms, which is 10.82 per cent of the total mushrooms produced in the country and currently stands at number 1 rank in India.

Marketing and Distribution Opportunities

Mushroom has multiple applications, however the major applications include as Food, Pharmaceutical and Cosmetics. Considering the type of application, there could be different marketing and distribution channel for mushroom and its products. Possible distribution channels are mentioned below:

- Direct to Customer
- Grocery Stores
- Supermarkets & Hypermarkets
- Convenience Stores
- Online Stores

Each of the above route of distribution needs to follow its customised Marketing Mix which basically includes the nature of the product, its price, where it is going to be sold i.e. place and how it is going to be pushed in the market i.e. promotion.

How FPOs can tap this Potential

Farmer Producer Organizations (FPOs) are farmer collectives and generally include such farmers who are the real producers of agriculture commodities. Although mushroom production has boomed during past 10 years in India, there is still opportunity to unlock its true potential by unlocking its true value. This may be possible if its production is made more quality oriented and processing is done with value addition in mind. These two aspects require a certain scale of business. Farmers at individual level may not be able to achieve that scale easily. They do not have sufficient capital to add value to their produce. Marketing issues will naturally be there as individually or in small group does not have a bargaining power. Considering these challenges it is imperative to set up Farmer Producer Organization for critical value enhancing activities such as production, collection, aggregation, processing and marketing purpose.

Proposed System for FPOs

FPOs can be set up for multiple vegetable businesses along with mushroom so that they get round the year business and utilise the common facility they might be creating. This will also help them to utilise the supply chain effectively. For effective production, they may undertake decentralised production at household level/ farmers' level, get the produce collected, sorted and graded at Panchayat level and subsequently packaging/labelling/ branding maybe done at FPO level. Common processing facility can also be set up at FPO level. Since marketing would be a key component of the value chain, it is suggested to have a tie up with existing retail outlets/hotels/restaurants/vegetable shops/ institutional customers-nearby towns and cities. Similarly, tie ups with processors for utilising unsold mushroom in the form of dried powder/canned product/ other products can be done. There can be a provision of Mushroom Mitra for local supply who can also act as a field agent providing necessary extension help to the farmers. These FPOs can also set up a few showcase shops at prominent locations for better visibility.

Funding Support for the Business

Govt. of India has launched Central Sector Scheme for Formation and Promotion of 10,000 FPOs. There are provisions of matching equity grant (@ 2000/ member up to Rs. 15 lakh/FPO) as well as fund for handholding and support (up to Rs. 18 lakh for 3 years). The FPOs can utilise that. However, this is possible only when the FPOs achieve certain milestones such as minimum member size of 300 in plain areas and 100 members in hilly areas. Project based funding up to Rs. 2 cr is also available.

Key Considerations for Sustenance of FPOs

As FPOs are collectives, the issues related to managing a socio-political organization will always be there. Therefore, issues of free-ridership, less involvement, political groupings, side railing etc. may be observed which may finally affect business of the FPOs.

Therefore, to minimize these concerns it may be important to strictly follow the fundamental principle of their governance which includes focusing on four aspects: accountability, fairness, transparency and independence. Also, the FPOs need to regularly conduct meetings and interact to sort out issues. In the initial phase they should also apply some of the principles of Start-up Company so that they are able to professionally manage their enterprise. They may require help of professionals and it may be wise to hire such persons. Fund may be a constraint initially but the scheme provides support for such persons up to certain extent which they can use and

remaining amount can be contributed from the capital contribution.

CONCLUSION

As mentioned earlier, the market opportunities for mushroom products are really promising for Indian farmers. This market is growing in both volume and value and provides opportunities to FPOs to encash this potential. The existing government schemes are certainly a booster for tapping these opportunities. There is a need to have well engaged and governed farmers' organizations like FPOs to sustainably grow the business and unlock true potential of the mushroom revolution.