
Performance of Farmer Producer Organisations (FPOs) in Different Regions of Chhattisgarh State: A Case Study

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ABSTRACT

Farmer Producer Organisations (FPOs) are the institutions that can be geared towards protecting small farmers from ill-effects of liberalisation and to incentivise them to participate in modern competitive markets. The aim of the Producer Company is to empower and improve the bargaining power and quality of life of small and marginal farmers/producers. Considering the emerging importance of FPOs, the present study was conducted in different agro-climatic sub-regions of the Chhattisgarh state. The study is based on both the survey data and the case study methodologies. Multiple case studies of FPOs in each category and major districts have been undertaken to understand the operational modalities and challenges in the functioning of the FPOs. About 57 FPOs comprising 37 from Chhattisgarh plain, 10 from Northern hills and 6 from Bastar plateau supported by NABARD were registered. Out of these 24, 7 and 3 FPOs were functional respectively. The study noted that farmer collectives are viewed as an important element in linking smallholders with modern markets (input and output) as they provide many benefits for this interface. Producer's organisations not only help farmers buy or sell better due to scale benefits but also lower transaction costs for sellers and buyers, besides providing technical help in production and creating social capital.

Keywords: Farmer producer organisation, Farmer collectives, Social empowerment.

JEL: C42, P32, Q12, Q13.

I

INTRODUCTION

Farmer Producer Organisations (FPOs) are of instrumental value for achieving Government's target of doubling income of farmers by 2022. These organisations are silent revolutions of connecting unorganised farmers to organised sectors. In a country like India where farmer populace consists of 70 per cent of marginal farmers and landless labourers, the challenge lies in imbibing entrepreneurial spirit and increasing the risk appetite of farmers on a large scale thus making it a revolution is really challenging. Various initiatives of the Indian Government have focused on Farmer Producer Companies (FPCs) as a means of addressing the concerns of small farmers. The Approach Paper to the 12th Five Year Plan reiterates its focus on aggregating the produce of the small and marginal farmers through FPOs, enabling them to reach large and high value markets to realise better price for their produce. NABARD has also taken an initiative for supporting producer organisations, for which "Producers Organization Development and Upliftment Corpus (PRODUCE) Fund" has been set up since April 2011. Till 2014, NABARD had supported 91 FPOs of different forms by extending credit facilities of Rs.205 crore and Rs.6.30 crore

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towards complementary measures for capacity and market interventions. Furthermore, many donor organisations are focusing on formation and strengthening of producer companies (PCs). The Ford Foundation has placed a grant of USD 690,000 with the Client Fund of Rabobank Foundation to provide guarantee to the Indian financial institutions who would lend to FPOs.

Several initiatives of the Government, the apex financial institutions such as NABARD, private donor organisations, financial institutions and many other institutions are supporting the growth of the FPOs and facilitating their emergence as successful business enterprises. SFAC (Small Farmers Agribusiness Consortium) particularly was mandated by the Government to support formation of FPOs. SFAC (A society promoted by Department of Agriculture and Cooperation, Ministry of Agriculture, Government of India) and NABARD have emerged as a driving force in supporting and in the formation of FPOs.

There is a need for aggregation in order to benefit from economies of scale. Organised systems are also needed for sharing services such as knowledge input, product supervision, storage, transportation, etc., and to absorb price risks of which primary produce is always subjected. Producer organisations amplify the political voice of smallholder producers, reduce the costs of marketing of inputs and outputs, and provide a forum for members to share information, coordinate activities and make collective decisions. They also create opportunities for producers to get more involved in value adding activities such as input supply, credit, processing, marketing and distribution. On the other hand, they lower transaction costs for processing/marketing agencies working with growers under contracts (Singh and Singh, 2014).

FPOs are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. FPO members must believe in the ethical values of honesty, openness, social responsibility and caring for others (Government of India, 2013).

Producer companies can help smallholder farmers participate in emerging high-value markets, such as the export market and the unfolding modern retail sector in India. As elsewhere in the developing world, in India, small farmers' livelihoods are being threatened due to the liberalisation and privatisation of Indian agriculture and the increasing interest of private capital in the agribusiness sector (Trebbin and Hassler, 2012).

II

METHODOLOGY

The study includes both the survey data and the case study methodologies. The data on ownership and management structure of the FPOs was collected through sample study of FPOs across major localities, commodities and types of promoters of such entities like NGOs, SHGs, farmers and their organisations themselves. Multiple case studies of FPOs in each category and major districts have been undertaken to

understand the operation modalities and challenges in the functioning of the FPOs. A total number of 57 FPOs were promoted under the NABARD support as reported by NABARD. Most of the FPOs were registered in 2012-13. In Chhattisgarh plain, Northern hills and Bastar plateau 37, 10 and 6 FPOs were registered respectively. Out of these 24, 7 and 3 FPOs were functional. In Chhattisgarh plain 26 FPOs were registered under co-operative act and the remaining 11 FPOs were registered under Companies Act. However, in the Northern hills and Bastar plateau, all the FPOs were registered under Co-operative Act. Furthermore, it was planned to cover a variety of FPOs in terms of the activities. Also, it was attempted to cover mostly those FPOs which were at least two-year-old to get a good data base for assessing the performance. The major business of FPOs were production and marketing of fruits and vegetable collectively, input supply, dealership in inputs and bulk buying of inputs and their sales to members, milk production, mushroom and its value-added products, vermi-compost and NTFPs etc.

III

RESULTS AND DISCUSSION

General Characteristics of Selected FPOs

There was a total number of 57 FPOs promoted under the NABARD support. Most of the FPOs were registered in 2012-13 in Chhattisgarh plain, Northern hills and Bastar plateau 37, 14 and 6 FPOs were registered, out of these 24, 10 and 6 FPOs were functional respectively. Fifty per cent functional FPOs were selected from the different agro-climatic sub-regions for the present study.

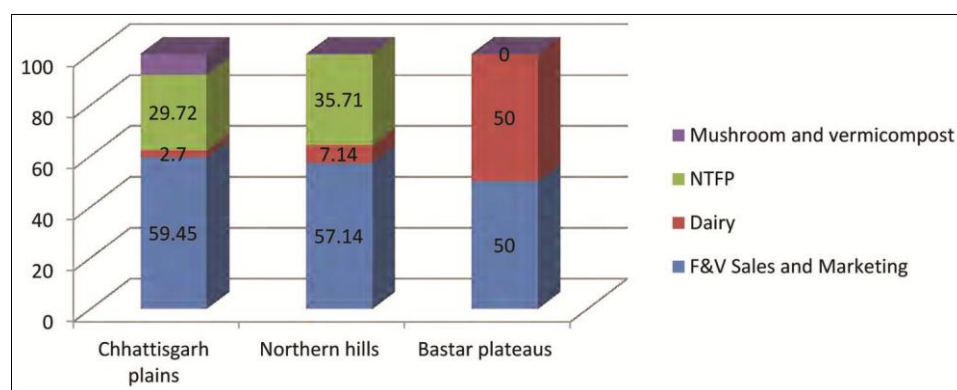
In Chhattisgarh plain 26 FPOs were registered under co-operative act and the remaining 11 FPOs were registered under Companies Act. However, in the Northern hills and Bastar plateau, all the FPOs were registered under co-operative act (Table 1). The major business of FPOs are production and marketing of fruits and vegetable collectively, input supply, dealership in input and bulk buying of inputs and their sales to members, milk production, mushroom and its value-added products vermin compost and NTFPs, etc. (Table 2 and Figure 1).

TABLE 1. BASIC INFORMATION OF FPOS' IN CHHATTISGARH WHICH ARE PROMOTED BY NABARD

Particulars (1)	Chhattisgarh plains (2)	Northern hills (3)	Bastar plateau (4)
I			
1. Number of FPOs	37	14	06
2. Number of functional FPOs	24	10	6
3. Selected FPOs (no.)	12	5	3
4. Total members	15632	6089	1571
II			
3. Category of registration			
(a) Co-operative	26 (70.27)	14 (100)	06 (100)
(b) Companies Ltd.	11 (29.72)	-	-

TABLE 2. ACTIVITIES PERFORMED BY FPOS

Particulars (1)	Chhattisgarh plains (2)	Northern hills (3)	Bastar plateau (4)
Activities			
(a) Fruits and vegetables production sales and marketing	22 (59.45)	08 (57.14)	03 (50)
(b) Dairy	01 (2.70)	01 (7.14)	03 (50)
(c) Value addition			
(i) NTFP	11 (29.72)	05 (35.71)	- (0)
(ii) Mushroom and vermi-compost	03 (8.10)	- (0)	- (0)
Total	37	14	06



Overview of Business Activities

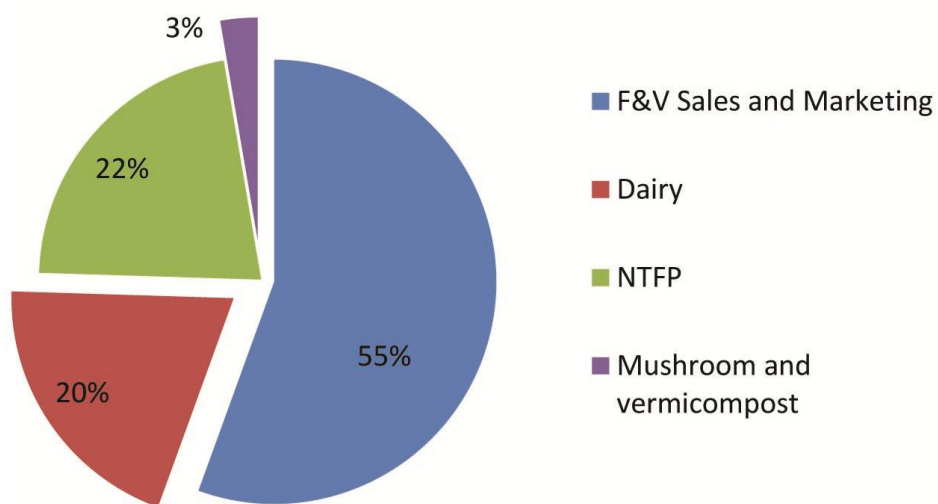


Figure 1. Activities Performed by FPOs.

Region-Wise Basic Profile of FPOs

The authorised capital ranged from Rs.6.25 lakhs to Rs.9.08 lakh and mobilised share capital was in the range of Rs.3.03 to Rs.7.71 Lakh. Total number of employees was between 2 to 8 members. Non-member business percentage was only 10-20. FPOs had 262-462 members each with shares of Rs.500-1000 each. The average size of holding of members was 1-2 hectares (Table 3).

TABLE 3. REGION-WISE BASIC PROFILE OF FPOS

Producer Co. > Parameters √ (1)	Northern hills (2)	Chhattisgarh plains (3)	Bastar plateau (4)
Authorised capital (Rs. Lakh)	6.25	9.08	8.12
Share capital (Rs. Lakh)	4.05	7.71	3.03
Shareholding pattern			
- Initial	26	42	39
- Present	550	939	180
Shares per member	4	10	10
FBG/SHG/Coop. associated	12	5	3
No. of directors	10	12	10
No. of Prof. managers	3	1	2
Total no. of employees	3	2	8
Total no. of non-member	115	98	0
Total business from non-members (per cent)	20	10	0
Avg. size of holding of member (ha.)	2.0	1.0	1.5
Main business	Rice, wheat, maize, small millets, fruits and vegetable production, procurement and marketing.	Krishi Kendra, vegetable, mushroom and vermicomposting and marketing	Dairy farming and dairy products, marketing and selling of vegetables.

Business Performance and Profile of FPOs

The annual turnover and profit of FPOs are presented in Table 4. It reveals that the annual turnover was in the range of Rs.15 - Rs.55 lakh and all the FPOs were running in profits (2016-17). It was also observed that over the years annual turnover and profits of the FPOs were slightly increased (Table 4).

TABLE 4. BUSINESS PERFORMANCE AND PROFILE OF FPOS

Parameters (1)	Northern hills (2)	Chhattisgarh plains (3)	Bastar plateau (4)
Year (2015-16)			
Turnover (Rs. lakhs)	20	62	08
Profit in Rs.	8870	856342	12840
Year (2016-17)			
Turnover (Rs. lakhs)	43.27	55	15
Profit (Rs.)	253382	765382	53862
Profit per member (Rs.)	4607	8151	2992
Profit per share (Rs.)	1151.75	815.10	299.20

Farmer Awareness and Perception of the FPOs

Farmer awareness and perception of the FPOs is presented in Table 5. It was observed that the most of farmers were aware of the company business and 65 per cent of them were satisfied with it. More than 50 per cent FPO members of the Northern hills and Bastar plateau purchased seeds via FPOs. Most of the FPO farmers were also satisfied with input supplied by the FPOs.

TABLE 5. FARMER AWARENESS AND PERCEPTION OF THE FPOS

Producer company parameters (1)	Northern hills (2)	Chhattisgarh plains (3)	Bastar plateau (4)
-Total no. of farmer	550	939	180
-Aware of company business (per cent)	75	80	95
-Rate it satisfactory (per cent)	70	65	85
-Avg. farmer sale of seed (per cent)	20	10	5
-Input purchase by FPOs (per cent of total used)			
-Seed	57.5	20	50.5
- Fertiliser/feed	23.75	10	55
- Pesticides	18.75	8	10
-Satisfaction with various (per cent)			
- Input			
- Output	72.5	80	60
- Mgmt. of PC	63.5	75	62.5
	65	70	63.75

Social Empowerment through FPO: When interviewed across variables about social empowerment farmers had with FPOs, improvement in problem solving skills remained as the top ranked variable followed by confidence in decision making and recognition in society. This clearly states that farmers themselves feel socially empowered working in an FPO as the top three variables are strong indicators of boost of confidence and empowerment (Table 6).

TABLE 6. SOCIAL EMPOWERMENT THROUGH FPO

Variables (1)	Weighted average (2)	Rank (3)
Participation in social activities	14.8	
Participation in village administration	15.6	
Knowledge on improved technologies	9.7	
Recognition in Society	16.8	III
Awareness of socio economic development programmes	11.87	
Involvement in addressing social issues and problems	15.13	
Assurance of children's higher studies	10.67	
Sense of leadership	15.93	
Confidence in decision making	17.47	II
Improvement of communication skills	12.87	
Organisational skills	12.87	
Sense of motivation in doing social work	16.33	
Sense of social responsibility	13.73	
Problem solving	18	I

IV

MAJOR PROBLEMS

Some of the significant problems the researchers observed after analysing the responses of farmers were as follows:

- Poor skills of professionals of the producer companies.
- Lack of vision and direction from board of directors.
- Operational problems like low equity based to low share value.
- Inability to attract capital or credit from outside.
- Poor marketing and value addition experiences.
- Poor business plan.
- High marketing cost.

V

SUGGESTIONS

Based on the problems encountered and after analysing the data, the following measures can be taken to overcome the problems: Government support in the form of grants to the PCs during the early stage should be made available. Exemption from corporate tax at least for initial few years and the inclusion of financing agency on the board of PCs can also help. In India, banks give collateral free loans to small and medium enterprises which can also cover PCs. Similarly, PCs can be treated as non-banking financial company to provide loans to farmer members. It is also possible to mobilise more equity from within the membership and identify new activities in local areas which are valuable for small farmers, e.g., custom hiring services for farm machinery and equipment which they cannot afford to buy can be rented in. FPOs should be considered eligible for investment and working capital grants for processing and marketing infrastructure creation. The PC practicing organic farming can be designated as certifying agencies for third parties and individual growers by the union government agencies like APEDA. Cold storage facilities should be provided to each FPO dealing with perishable commodities. Proper guidelines are needed for packaging, grading, branding, processing and marketing, especially for value added products. Priority should be given in different central and state government agriculture and allied sector programmes to FPOs. A state level apex body should be formulated for promotion of FPOs at state level. In mandi yards/regulated markets, separate shops should be provided to FPOs at concessional rate. Mushroom and mushroom products should be included in mid-day meal programme. More emphasis should be given toward capacity building to FPOs on regular basis. Products of FPOs should be linked with PDS system. Sponsoring agencies should come forward and issue FPOs development bonds to infuse public funds for the development of FPOs. Mobile app intended to provide a platform for buyers and sellers could be developed for better market access.

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