



Farmer Producer Companies in India: An Overview

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

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ABSTRACT

Farmer Producer Companies (FPCs) have emerged as a solution to the problems that small and marginal farmers confront with. This study probed into the reasons for the farmer-producer companies' establishment, as stated in different policy documents and past literature. Performance of Farmers Producer Companies has improved significantly; however, the emergence of FPCs in India has not been consistent across the states. This paper examines the current status, geographical spread and functions of Farmer's Producer Companies (FPCs) across India, as well as suggests suitable measure to their performance. The study indicated that a total of 6471 FPCs were formed, in which around 80 per cent i.e. 5145 FPCs were promoted by Small Farmers Agri-business Consortium (SFAC) and National Bank for Agriculture and Rural Development (NABARD), 1263 FPCs were promoted by various state government and other agencies, and 63 of them were self-promoted. More than 50 per cent of the FPCs are set up in Maharashtra, Madhya Pradesh, Uttarakhand, West Bengal, Karnataka, Odisha and Telangana. SFAC promoted large number of FPCs in Madhya Pradesh (149 FPCs) and NABARD has promoted large number of FPCs in Uttarakhand (362). The number of farmers mobilised through FPCs by SFAC and NABARD were highest in the state of Madhya Pradesh with 183517 farmer members, followed by Karnataka with 176732 farmer members. There were a number of factors that influenced state performance, and this study suggested some strategies to overcome them in order to promote the growth of FPCs in India.

Keywords: Farmer producer organisations; status; promoting Institutions; SFAC and NABARD.

1. INTRODUCTION

Agriculture is extremely important in developing countries. Around 85 percent of India's total operational land holdings are owned by small and marginal farmers (Agriculture census, 2011). Small farmers with less negotiating power are more reliant on their crops and are subject to monopolistic exploitation under formal contracts. On the other hand, integrating small farmer producers is difficult owing to a number of issues including that small farmers are not a homogeneous group and most of them lack entrepreneurial skills; scattered locations cause problems in logistics such as packaging, storing, and consolidating, as well as in organising them into collectives; small-scale production and lack of value addition and primary processing weakens their bargaining position; and lack of ability to access market information [1-2].

To bridge the gap between farmers and consumers, Indian government sought new institutional alternatives that would provide farmers a fair playing field in contemporary agro food network [3]. Amendments to the Companies Act, 1956 were made in 2001 in response to the suggestions of the Y K Alagh Committee, paving the way for the idea of "Producer Companies" (PC). Farmer Producer Companies are defined as a hybrid between the cooperative societies and the private limited companies (FPC guidelines). Producer organisations are seen as the sole institutional choice for safeguarding farmers' best interests and assisting them in achieving better profitability through innovative agro-food networks [4].

In the recent years, there has been a growing focus on creating an enabling environment for Farmer Producer Companies. Farmer Producer Companies are seen to have a lot of scope when it comes to delivering products and services, in places where both the public and private sectors have underperformed. FPC's role is to take the members' products from raw material procurement till delivery of a completed product to the ultimate customers, including purchasing inputs, disseminating market information, transformation of technologies, providing financial assistance, consolidating the produce of its farmer members, value-addition activities (cleaning, drying, grading, processing, packing, labelling, branding), establishing marketing ties

with institutional buyers, and retailing and exporting [5].

Farmer Producer Companies will help farmers expand their on-farm investment, improve their skills, enhance their negotiating power, increase their production efficiency, improve access to technologies and markets, and eliminate middlemen in the supply chain for higher revenue, all of which will help farmers improve their livelihood status [6]. As part of a significant reform, the government of India has announced a five-year tax vacation for all FPCs with revenues under 100 crores. Producer associations have the potential to transform into a key step towards increasing agricultural revenue by overcoming the constraints faced by small and marginal farmers in marketing their produce [7].

2. OBJECTIVES OF THE STUDY

With the aforementioned concerns in mind, research is being carried out with the following objectives:

1. To study the role of agencies in promoting Farmer Producer Companies in India;
2. To examine the status of Farmer Producer Companies across India and suggest strategies to improve their performance.

3. METHODOLOGY

Secondary data was collected from the website of Small Farmers' Agribusiness Consortium (SFAC), National Bank for Agriculture and Rural Development (NABARD), respective State Government, and previously published literature in regard to the number of FPCs registered in the nation, number of farmers affiliated to FPCs, and various programmes encouraging the expansion of FPCs [8]. The data was analysed using descriptive statistics such as frequencies and percentage, to showcase the performance of the states in promoting FPCs in India.

4. RESULTS AND DISCUSSION

Various initiatives were taken by the Government to promote Farmer Producer Companies across the country, and promoting agencies like SFAC, NABARD, State Government and other agencies, were directly involved in promoting FPCs and the following section discusses it.

4.1 FPC Promoting Agencies

4.1.1 Small Farmers Agri-business Consortium (SFAC)

An institution/ agency under the Department of Agriculture, Cooperation and Farmers' Welfare (DAC&FW), was directed to support the formation of FPCs. The activities undertaken and support that are available to the farmer producer organisations from the Small Farmers Agribusiness Consortium are (i) Mobilisation of farmers for formation of FPOs with the support of Resource Institutions, (ii) Help the FPOs get registered under the Companies Act, (iii) Train Chief Executive Officers, Boards of Directors and farmer members on planning, formulation, implementation and regulatory enforcement under the Companies Act, (iv) Infrastructure assistance by linking existing schemes together (vi) Funding support through - (a) SFAC offering a supporting equity grant of up to Rs.10 lakh to double the share capital of farmer producer companies, (b) Credit Guarantee Fund of Rs.100 crores to financial institutions to fund FPCs without security, (c) Support FPC's administration costs such as salary of the CEOs, office expenses, etc. for three years from the date of registration of the FPC [9].

4.1.2 National Bank for Agriculture and Rural Development (NABARD)

NABARD is an apex financial institution, under the Ministry of Finance that assists the farmer producer companies through various interventions. It promotes capacity building like organisation and skill-building practises, business planning and technological extension through classroom training, exposure trips, agricultural university tie-ups, expert meetings, and so on. This institution will offer credit and/or grant funding for the creation of marketing infrastructure facilities to sell the produce. NABARD provides financial support to the FPCs through Producer Organisation Development Fund (PODF), Producers Organisation Development and Upliftment Corpus (PRODUCE) Fund and Farm Sector Promotion Fund for the formation and promotion of FPCs.

4.1.3 Other Institutions

In addition to these, other institutions like National Cooperative Development Corporation (NCDC), National Agricultural Cooperative marketing Federation of India (NAFED), World Bank funded schemes, Non-Governmental

Organisations (NGOs) and State Government implementing agencies approved by Department of Agriculture, Co-operation and Farmers Welfare are also involved in promoting the farmer producer companies [10-11].

4.2 Status of FPCs in India

In India, a total of 6471 FPCs were formed by the year 2020 (Fig. 1), of which around 80 per cent i.e.5145 FPCs were promoted by SFAC and NABARD, 1263 FPCs were promoted by various state government and other agencies, and 63 were self-promoted.

It could be inferred from Table 1 that, large number of FPCs (1088) was established in the state of Maharashtra, accounting for around 17 per cent of the total FPCs registered in the country. This was followed by Madhya Pradesh and Uttarakhand with 511 and 408 FPCs registered in the states respectively. More than 50 per cent of the total FPCs belonged to the states of Maharashtra, Madhya Pradesh, Uttarakhand, West Bengal, Karnataka, Odisha and Telangana. The number of farmers mobilised through FPCs by SFAC and NABARD were highest in the state of Madhya Pradesh with 183517 farmer members, followed by Karnataka with 176732 farmer members. More than 50 per cent of the total mobilised farmers were from the states of Madhya Pradesh, Karnataka, Uttar Pradesh, Sikkim, Maharashtra, Andhra Pradesh and West Bengal.

SFAC promoted 910 FPCs with a total of 903796 farmer members, with the largest number of FPCs in Madhya Pradesh (149 FPCs), followed by Karnataka and Maharashtra with 126 and 105 FPCs respectively. The farmers linked to FPCs by SFAC were also high in the states of Madhya Pradesh (150000), followed by Karnataka (128500) and Maharashtra (105863). Around 4235 FPCs were promoted by NABARD and a total of 916296 farmers were linked. Uttarakhand had the highest number of FPCs (362) promoted by NABARD, followed by Madhya Pradesh. The number of farmers mobilised through FPCs by NABARD were highest in Sikkim with 122643 farmer members, followed by Uttar Pradesh and Andhra Pradesh with 109113 and 80616 farmer members respectively in each state.

It was noted that the largest number of FPCs were promoted and also a larger number of farmers were linked to FPCs through NABARD than SFAC. In addition to this, various state government agencies promoted around 1263

FPCs all over the country in which the highest number of FPCs was promoted by Maharashtra state government (724) and 63 FPCs were self-promoted in the country.

4.3 Geographical Distribution of FPCs in India

Despite the fact that initiatives to promote FPCs have been implemented in almost all the states

[10], Table 2 indicates that Southern Zone leads in the establishment and promotion of FPCs with a number of 1492(23%), followed by the Western Zone (1427 FPCs). In the Western Zone, Maharashtra Agricultural Competitiveness Project (MACP) funded by World Bank has led to the maximum number of FPCs establishments in Maharashtra. North-Eastern Zone had the least number of FPCs (223).

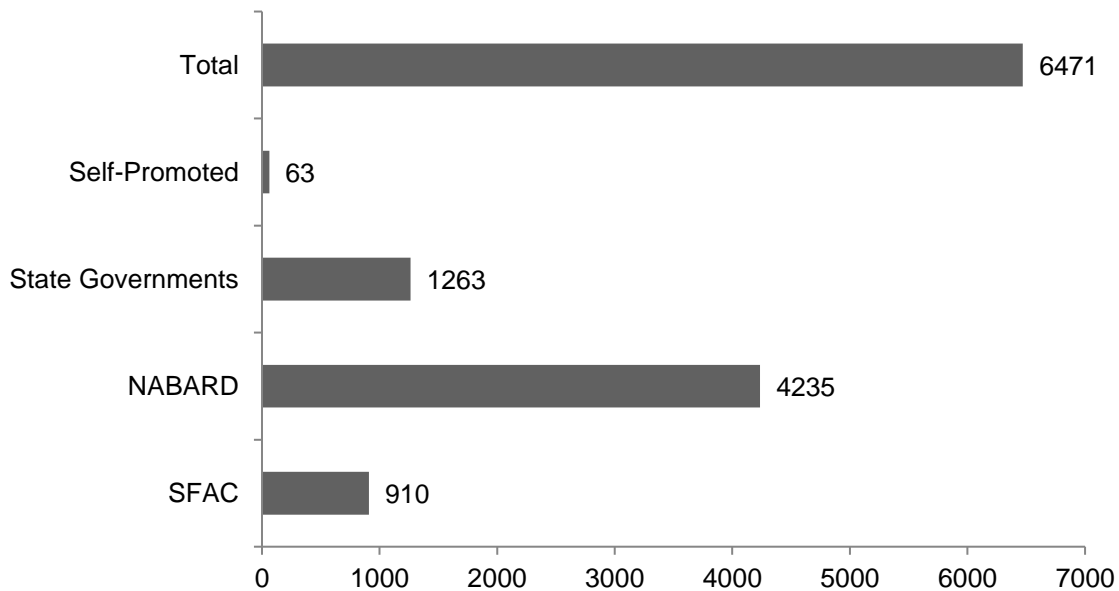


Fig. 1. Number of FPCs promoted by Promoting Agencies
(Note: Total Number of FPCs and promoting agencies as calculated in Table 1)

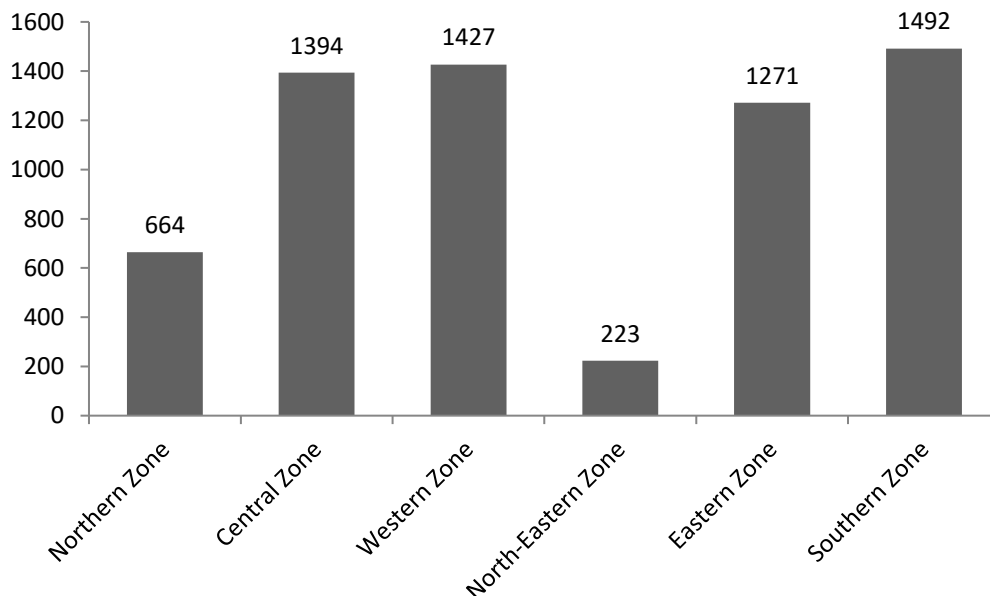


Fig. 2. Zone-wise Distribution of FPCs in India
(Note: Zone-wise FPCs as calculated in Table 2)

Table 1. State wise status of FPCs in India

S.No	States	Members			FPCs				
		SFAC	NABARD	Total	SFAC	NABARD	SG	SP	Total
1	Andaman & Nicobar	-	187	187	-	5	-	-	5
2	Andhra Pradesh	15300	80616	95916	16	282	6	1	305
3	Arunachal Pradesh	4750	255	5005	6	2	-	-	8
4	Assam	10831	13952	24783	18	59	25	-	102
5	Bihar	36423	38989	75412	38	273	-	2	313
6	Chhattisgarh	29436	24123	53559	28	69	55	1	153
7	Delhi	3535	104	3639	4	1	1	-	6
8	Goa	1810	46013	47823	2	2	-	-	4
9	Gujarat	24000	24678	48678	25	171	133	6	335
10	Haryana	14081	9468	23549	23	75	1	-	99
11	Himachal Pradesh	7803	1340	9143	8	79	-	-	87
12	Jammu & Kashmir	9944	27228	37172	2	23	-	-	25
13	Jharkhand	12009	69900	81909	10	190	-	-	200
14	Karnataka	128500	48232	176732	126	263	-	3	392
15	Kerala	-	69313	69313	-	121	-	2	123
16	Madhya Pradesh	150000	33517	183517	149	361	-	1	511
17	Maharashtra	105863	1833	107696	105	239	724	20	1088
18	Manipur	6950	1353	8303	8	5	-	1	14
19	Meghalaya	3750	3016	6766	4	9	-	-	13
20	Mizoram	2700	0	2700	2	19	-	-	21
21	Nagaland	3750	40511	44261	4	5	14	-	23
22	Odisha	38900	4601	43501	41	325	-	-	366
23	Puducherry	-	-	-	-	-	2	-	2
24	Punjab	6288	47314	53602	7	94	-	-	101
25	Rajasthan	60500	692	61192	50	296	-	-	346
26	Sikkim	18537	122643	141180	30	4	-	-	34

27	Tamil Nadu	17000	36572	53572	17	214	52	21	304
28	Telangana	29998	80	30078	26	300	34	1	361
29	Tripura	5750	44500	50250	7	1	-	-	8
30	Uttarakhand	6004	16153	22157	7	362	38	1	408
31	Uttar Pradesh	57062	109113	166175	58	83	178	3	322
32	West Bengal	92322	0	92322	89	303	-	-	392
Total		903796	916296	1820092	910	4235	1263	63	6471

(Source: Compiled from SFAC and NABARD)

*SFAC - Small Farmers Agri-business Consortium

*NABARD - National Bank for Agriculture and Rural Development

*SG - State Government

*SP – Self-Promoted

Table 2. Zone-wise Distribution of FPCs in India

S.No	Zones	States	No. of FPCs
1	Northern Zone	Haryana, Himachal Pradesh, Jammu & Kashmir, New Delhi, Punjab and Rajasthan	664
2	Central Zone	Chhattisgarh, Madhya Pradesh, Uttarakhand and Uttar Pradesh	1394
3	Western Zone	Goa, Gujarat and Maharashtra	1427
4	North-Eastern Zone	Assam, Arunachala Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura	223
5	Eastern Zone	Bihar, Jharkhand, Odisha and West Bengal	1271
6	Southern Zone	Andhra Pradesh, Karnataka, Kerala, Puducherry, Tamil Nadu and Telangana	1492
Total			6471

(Source: Compiled from SFAC and NABARD)

5. CONCLUSION

FPCs growth has been uneven across the country and zones [12-13], with more than half of all mobilised farmers hailing from seven states i.e., Madhya Pradesh, Karnataka, Uttar Pradesh, Sikkim, Maharashtra, Andhra Pradesh and West Bengal. Maharashtra has the most number of FPCs accounting for around 17 per cent of the total number of FPCs registered in the country. SFAC promoted large number of FPCs in the state of Madhya Pradesh (149 FPCs) and farmers linked to FPCs by SFAC were also high in Madhya Pradesh (150000). NABARD promoted large number of FPCs in Uttarakhand (362) and the number of farmers mobilised towards FPCs by NABARD were the highest in Sikkim with 122643 farmer members.

FPC promoting institutions and agencies should focus on removing the barriers in doing business. Promoting agencies should monitor the registered FPCs to sustain and awareness should be created about the benefits of FPCs among the farmers, thereby linking more number of farmers to FPCs. FPCs must develop connections with other organisations and improve their management and operational processes. Most of these FPCs are in their starting stage, hence guidance and financial assistance to get off the ground should be provided. The existing systems should be redesigned to meet the demands of FPCs and its members. The qualification for FPCs to engage in schemes should be eased and simplified. The focus should be on the promotion and development process rather than the size of the FPC. Thus, by implementing and working on above mentioned areas, FPCs will grow and serve its sole purpose of improving the livelihood of farmers across the country.

DISCLAIMER

The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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