Gujarat Journal of Extension Education Vol. 34 : Issue 1 : December 22 *https://doi.org/10.56572/gjoee.2022.34.1.0018*

FARMER PRODUCER ORGANIZATIONS WAY FOR ENHANCING RURAL LIVELIHOOD

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ABSTRACT

The majority of people in India depend on agriculture and related industries for their livelihood, but this is insufficient to meet their needs or raise their families standards of living.The Indian government has been developing and promoting Farmer Producer Organizations by bringing together small and marginal farmers in an effort to improve the standard of living for rural residents.It will address issues like high production costs, restricted credit availability, weak market integration, and inadequate storage. The country currently has 5000 FPOs built and promoted by a variety of organisations, including NABARD, SFAC, state governments, NGOs, etc. Any FPO may be registered under a variety of legal forms, including Producer Companies, Co-operatives, and others.A total of 7374 producer companies with 4.3 million small producers were registered as of March 31st, 2019. The data showed that the Indian government and other organisations were putting a lot of effort into enhancing rural livelihoods through FPOs. The members of FPOs have more income, employment, savings, knowledge, technologies, processing, transport, market and storage facilities than the non-FPO members. It may be beneficial to develop rural areas and their means of subsistence.

Keywords: *farmer producer organisation, farmer producer company, economic impact, members and non-members*

INTRODUCTION

India is a country that is heavily dependent on agriculture and related activities, with nearly 70% of the rural population depending on them for a living.India is having large number of small and marginal farmers comprising of 86.08% having 0-2 hectares, 13.35% are semi-medium and medium farmers having 2-10 hectares and remaining 0.57% are large farmers having 10 hectares and above farm area (Agricultural census, 2015-16). The small and marginal holdings were increased from 85.01% in 2010-11 to 86.08% in 2015-16 (Agricultural census, 2015-16).Land fragmentation is getting worse, which is making things worse for small farmers.They face more difficulties with the production, promotion, handling, and storage of the produce. They struggle with specific issues like inadequate farming and extension services, low technology adoption, a lack of capital, poor business skills, and low income due to subpar infrastructure and inefficient markets. Even if they are able to enter markets, their poor bargaining position restricts them when dealing with significant buyers (Penrose-Buckley, 2007). Self-help groups at village level are also playing the important role in socio-economic development of rural community and specially women empowerment (Rathod and Devi, 2019). The linking of FPOs through self-help groups may also results into the better marketing and bargaining power. Therefore, policy makers and government are turning to new solution for improving the economic situation of small and marginal producers by grouping of farmers.A "high-powered committee" headed by Dr. Y. K. Alagh developed the idea of Producer Companies to address these flaws. This group's goal was to create legislation that "accommodates the spirit of a cooperative with the operational flexibility of a private company" for the benefit of primary producers, particularly small and marginal farmers (Govil*et al.*, 2020 & Prasad, 2019). The Companies Act of 1956 was later updated in 2002 to include Producer Companies as a new type of corporate entity (GOI 2011, GOI 2013). The primary producers are skilled and knowledgeable in their field. Moreover, the socio-economic profile of producers helps in taking the informed decisions regarding adoption of technologies, improved varieties *etc.,* (Devi and Bhoi, 2022). However, they typically require assistance with marketing their products. Number of agricultural produce require primary processing before consumption and it require some infrastructural facilities at producer level which will help farmers to reap the income benefits by marketing of processed and non-processed turmeric (Devi, 2020). The

Producer Company will essentially close this gap by offering a range of services and information.

OBJECTIVE

To understand the economic impact of FPOs on rural livelihood

METHODOLOGY

The present paper is based on the secondary information collected from different published sources for different years. The collected and compiled secondary information was presented through tables, charts, figures, *etc*.

Producer organisations

A Producer Organisation (PO) is a legal entity formed by primary producers, *viz*. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen. PO refers both farm and non-farm activity. It can be a producer company, a cooperative society or any other legal form which provides for sharing of profits/benefits among the members.

Farmer producer organisation

Farmer Producer Organisation is one type of PO where the members engaged with agricultural and allied activities. FPO provides end-to-end support and services to the small and marginal farmers and cover technical services, marketing, processing and others aspects of cultivation inputs.The ownership of FPO is with its members.

FPO registration

(1) As a Cooperative (Under cooperative Societies Act/ Autonomous or Mutually Aided Cooperative Societies Act of the respective State, Multi-State Cooperative Society Act, 2002)

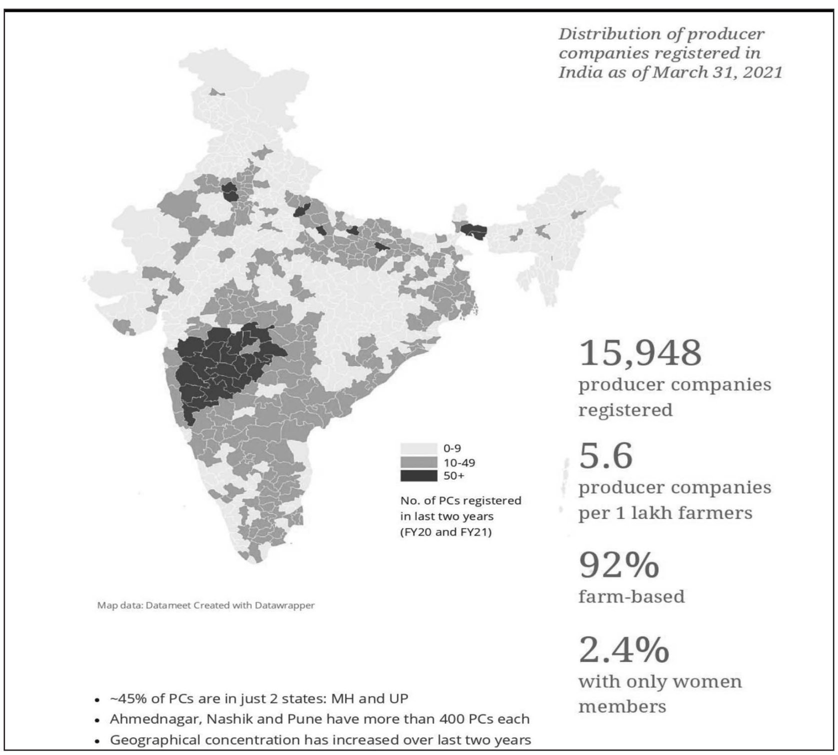
(2) As a Producer Company (Under Indian Companies Act, 1956 as amended in 2013)

(3) As a Non-profit entity (Under Indian Companies Act, 1956 as amended in 2013)

(4) As a Trust (Under Indian Trusts Act, 1882)

Present scenario of FPOs in country

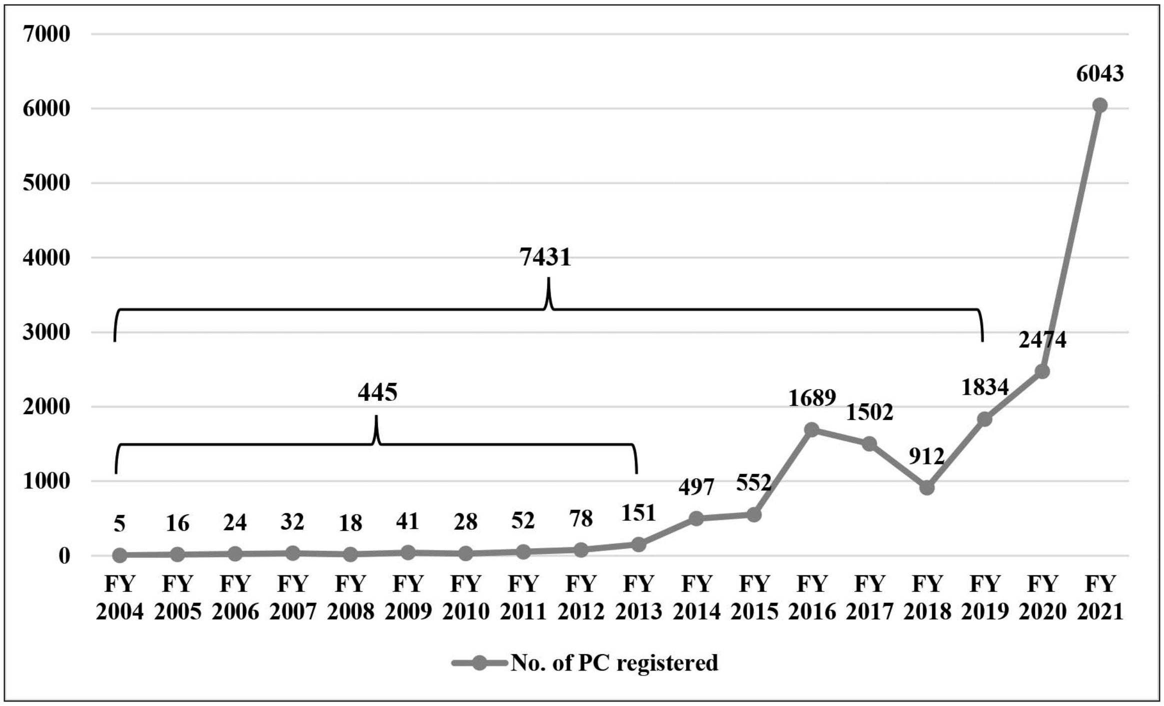
There were about 7431 producer companies (PCs) registered in India as of the end of March 2019(Neti and Govil, 2022).A significant number of new PCs were registered over the next two years.Now, there are currently 15,948 producer companies in the nation.It denotes that 5.6 producer companies per 1 lakh farmers.92 percent of farmers participated in farm-basedPC, but only 2.4% of them were women. To ensure 50% membership of women farmers in FPOs, GOI took initiatives under Strategy for New India @75 by NITI Aayog and created separate budget to bear the registration/processing fee for the registration of women in FPOs (Saxena and Kaur, 2019) (Fig. 1).



Source: Neti and Govil (2022)

Fig. 1: No. of producer company registered in country as of March 31, 2021

After the Act's notification, no producer companies were registered during the first few months of 2003. Only 445 companies were registered in the first ten years (2004–2013). In 2014, 497 PCs were registered, more than in the previous 10 years put together. This represents an increase in the registration rate.In 2020 and 2021, 2474 and 6043 companies were registered, respectively, compared to 7431 producer companies in the previous 16 years (as of March 31, 2019).This brings the total number of registered producer companies in the country to 15,948 as of March 31, 2021. According to the Scheme's budgetary allocation, a maximum of 1250 PCs registered in the last two years could have been promoted under the 10,000 FPO Scheme. The remainder are promoted through state programmes, CSR, philanthropic grants, and self-funded endeavours(Neti and Govil, 2022) (Fig. 2).



Source: Neti and Govil (2022)

Fig. 2: Year wise no. of PCs registered as of March 31, 2021

Table 1: FPOs promoted by various sources

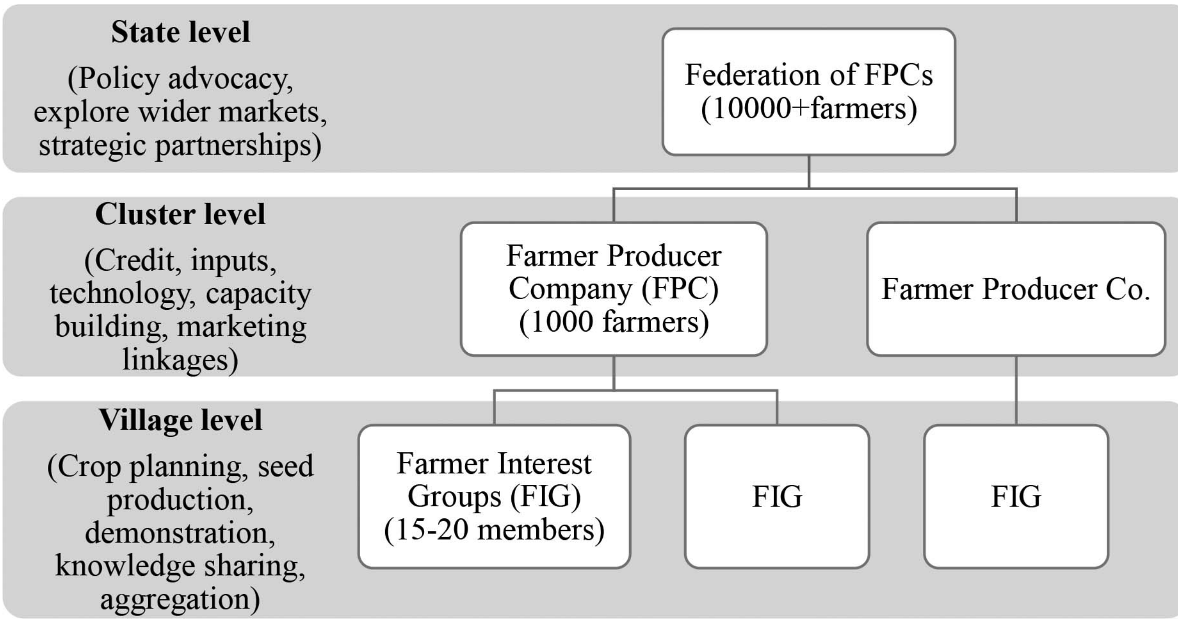
Sr. No.	Sources	No. of FPOs
1	SF**AC** (Small Farmers Agri-business Consortium)	902
2	**NABARD** (National Bank for Agriculture and Rural Development)	2068
3	**State Government** (Funded by leveraging RKVY or the World Bank funds)	510
4	**NRLM** (National Rural Livelihood Mission) Programme	131
5	**Other Organization/ Trust/ Foundation**	1371
	Total	**5000**

Source: Pathania*et al.*(2020)

There are currently around 5000 FPOs (including FPCs) in the country. Over the last 8-10 years, these have been formed through various initiatives of the Government of India (including SFAC), State Governments, NABARD, and other organisations. The vast majority of these FPOs are still in their infancy and in the early stages of their life cycle (SFAC report, 2019). It is estimated that only about 30% of these FPCs are currently operationally viable, with the remaining 20% struggling to stay afloat. Around half of them are still in the stages of mobilisation, equity collection, business planning, and other management-related development.This is very comparable to the success rate for new business ventures in India's industrial and processing sectors (Table 1). The Government of India recently announced its intention to promote 10,000 FPOs in the next five years to ensure economies of scale for farmers in the nation, and Rs. 6000 Cr. fund may be established by GOI for the same, in the Union Budget of 2019–20 (SFAC report, 2019 and Saxena & Kaur, 2019).

FPO Structure

Farmers are mobilised into groups of between 15-20 members at the village level (called Farmer Interest Groups or FIGs) and building up their associations to an appropriate federating point *i.e.,* Farmer Producer Organisations (FPOs) as can be seen from below given chart.



Source: http://sfacindia.com

Steps in establishing FPOs

Below listed steps are helped to established a FPOs in easy and effective ways(Yadav *et al.* 2020).

(1) Understanding the village community

(2) Identifying potential leaders in the community

(3) Talking to the identified leaders and seeking cooperation from other agencies

(4) Helping community leaders to call community meetings

(5) Nominating core group leaders for FPO development

(6) Developing an organizational structure and management of FPO

(7) Motivating groups for action

(8) Implementing selected programmes

(9) Regular follow up through monitoring and evaluating the progress of FPO

FPOs business activities

FPOs influence the benefits of economics of scale for both production and marketing enabling more efficient production and better price discovery. According to (NABARD, 2015 and Saxena& Kaur, 2019)Some of the activities that is being delivered are as follows:

- Input supply for increasing productivity
- Disseminating market information
- Dissemination of technology and innovations
- Facilitating finance for inputs
- Aggregation and storage of produce
- Value addition, processing & marketing
- Quality control
- Agro- services
- Marketing to institutional buyers
- Agri. advisory, export market & hedging on commodity exchange

Economic impact of FPOs

Input costs in cultivation of chilli of members and non- members of FPO evidence in Telangana observed that the shift to organic chilli cultivation lead to reduction in yield by 23.4% for FPO members. This is primarily due to reduction in input use which is seen to be 9.06%. Gross income was 3,79,398 Rs/ha for FPO members and 3,33,233 Rs/ha for non-members. It was 13.85% higher for member than non-member because FPOs were instrumental in convincing the farmers about the ecological and environmental benefits of organic farming, providing technical backstopping and ensuring timely supply of inputs needed for organic cultivation. The B:C ratio for members of FPO was 2.7 and was much higher than that of non-members (2.16) (Manaswi*et al.*, 2019).

Technologies that have been adopted by both FPO farmers and non-FPO farmers in Bihar. Technologies like crop management, improved application of pesticide and insecticide, IPM, water management and improved post-harvest techniques were adopted for member farmers (78.1%, 16.8%, 11.3%, 7.7%, 2.9%, respectively) and non-member farmers (26.1%, 2.9%, 1.5%, 0.7%, 0%, respectively). It showed that FPO members were adopt more new technologies more than non-FPO members.FPO members earn about Rs. 2,200 more per month thannon-membersalthough their average monthly expenditure was also significantly higher (Rs. 1216). This could possibly be a result of better access that FPO members had to information about new technologies and market prices (Verma *et al.*, 2019).

Evidence of Gujarat showed financial benefit of participating in FPOs through increase in income and employment. Members' net farm income was Rs. 31,763 per acre, about 30% more than that of non-members. The FPO members could find an additional 25 man-days' employment from activities such as packing, sorting, loading and sealing. On the whole, member farmers realized about 12% more of household income.With the extra income and credit support from FPOs, they could repay their debts, utilize more money for education and health. The average loan outstanding for FPO members was two-thirds of that for non-members. Some FPOs members also invested in productive assets (Singh and Vatta, 2019).

In perspective of economic empowerment through FPOs in Chhattisgarh plain different economic characteristics were analysed. They were income, employment, savings, land holding, market linkage, market access, access to market information, reduction in cost of cultivation, access to quality inputs & services and commercialization and diversification of agricultural activities were more in members (around 68%, 71%, 63%, 18%, 67%, 65%, 79%, 77%, 85%, 83%, respectively) than non-members (around 50%, 43%, 38%, 7%, 48%, 50%, 48%, 60%, 54%, 57%, respectively) (Kujur*et al.*, 2019).

In terms of annual income of sample FPOs in Rayalaseema region of Andhra Pradesh observed that 55.83% of the members had medium annual income followed by low (34.17%) and high (10.00%) levels of annual income. The annual income of a family determines the standard of living of farmers and nature of the investment on the farm. Higher annual income of the family might have given scope for free sense of thinking towards the development of the farm and growing of crops. On the other side, low annual income shrinks the opportunities and the farmers always must be under defensive state of their farm activities (Babu, 2021).

In case of Rajasthan, returns from mustard cultivation of FPO member and non-member and observed that return from main product was Rs. 48,397 which formed 84.99% and Rs. 46,345 which formed 85.31% of the total returns by member and non-member farmers, respectively. Net return obtained by the member and non-member farmers from mustard production in the state was Rs. 13,047/ha and Rs.9,130/ha. Input-output ratio of member and non-member farmers was 1:1.29 and 1:1.20, respectively.The average total cost of cultivation per hectare was found to be Rs.43,900 and Rs. 45,195, respectively, for members and non-members.It can be seen that the cost of cultivation of member farmers was less than the non-member farmers of the FPO. This difference was due to FPO which provided timely, chiefly and quality input, technical services and improved technology for member farmers (Kumar *et al.*, 2018).

Benefits from FPOs/FPCs

Field of assistance	Smallholder farmer	FPOs/ FPCs
Marketing	Small volumes, limited bargaining power	Aggregation and marketing
Market information	Limited access, but increasing with the spread of mobile phones	Direct links between FPO/ FPC and potential buyers
Transportation	Often time consuming and are costly	Transportation is organized within/facilitated by the FPO/ FPC
Cold storage	No facility	Set up of cold/ripening chambers as shared infrastructure
Irrigation	No irrigation facility or depending the well owner/ water supplier	Establishment of community wells; on construction of collecting tanks; laying of pipes
Extension services and technology	No access / one-sided information	Farmers' education and regular training sessions from farmer to farmer, preservation of traditional farming practices

Field of assistance	Smallholder farmer	FPOs/ FPCs
Input supply	Need to buy in the market, problem	Provided by the FPO/ FPC at lower than credit market price through bulk buying, in-house production of organic manures and pest killers; links to banks
Production planning	Short time horizon	Constant information flows of market processes to the farmers allow a more systematic planning approach
Excess production, branding	Risk of distress sales or waste none	Further processing, value addition, brands might be introduced by the FPO/ FPC or the buyer

Source: Swairam (2015)

Challenges and issues in building robust FPOs

FPOs give lots of benefits like increase in income, savings, employment, market facilities, *etc*. but still there are some lacunas in establishment of FPOs and sustainability of FPOs. According to NABARD (2020-21) below listed constraints faced by FPOs and its members. These challenges are:

- Lack of legal and technical knowledge about various Acts and Regulations related to formation of FPOs and statutory agreements which are benefited for sustainable FPOs.
- Lack of experienced and trained person to lead the FPOs because such trained manpower is presently not available in the rural space to manage FPO business professionally.
- Lack of financials to FPOs because small and marginal farmers does not have enough saving to deliver more facilities at the time of establishment of FPOs.
- Inadequate access to credit due to lack of financial knowledge and length of process to get credit is long.
- Lack of risk-taking ability because there is no provision to cover business risk.This reason is more affect the small and marginal farmers due to poor financial base.
- Lack of market access information because input prices are largely fixed by corporate producers. Direct marketing is also a challenge due to not get proper market and price of the commodity.
- Inadequate access to infrastructure for quality improvement of commodity, processing, grading, storage and transportation.

CONCLUSION

It is outward from foregoing review of literature that different study carried out in different region of country which showed wide adaptability of FPOs in country. FPOs provides direct marketing link for selling of commodities which will help to suppress market intermediaries and provide remunerative price and profitable income to the small and marginal farmers. The members of FPOs have more income, employment, savings, knowledge, technologies, processing, transport, market and storage facilities than the non-FPO members. It might be helpful to develop rural area and its livelihood.

POLICY IMPLICATION

FPOs can be emerged as the boon for farmers therefore, need to support or hand holding in initial stage. Training, capacity building, development of professional manpower, exposure visits, entrepreneurship development programs, tie-ups with other organizations may help for efficient working and up scaling the FPOs. Improving market linkages/supply chain intervention through creation of a single-window platform may help better market assess and remunerative price.

ACKNOWLEDGEMENT

Our sincere thanks to the Head of Department and whole staff of the Department of Agricultural Economics for kind support and help.

CONFLICT OF INTEREST

No conflict of interest among researchers.

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Received : October 2022 : Accepted : December 2022