



RESEARCH ARTICLE

Farmer Producer Organizations: Indian Model for Market Driven Agriculture

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ABSTRACT

The Farmer Interest Group (FIG) with 20 farmers in each Farmer Producer Company with 50 FIGs (FPC) platforms reverses this process by effecting collective purchase of inputs at wholesale rate and disposes the branded and value-added products direct to consumers at retail rate ensuring profitability of farming. The FPC could undertake joint business for mutual benefit. The data collected were classified, tabulated and then analysed using appropriate statistical tools to get the results. The major objective of assessing the appropriate business models suited to different FPOs with farmers of different profile and different work culture inculcated by sponsors. The TN Irrigated Agriculture modernization project also supports the FPOs with business promotion fund to FPOs. The FPO landscape is kaleidoscopic at present yet managed by Directors and Executives of FIG with competitive mind set up to the level of piloting few business ventures but had reluctance to undertake scaled up business. The GoI had constituted a steering committee to revamp the process guidelines to provide hand holding support for scaled up business.

Key word: Agriculture, FPO, FPC, Company, Plan, Development.

INTRODUCTION

Farmer is the only category in the economy, who purchases all inputs at retail rate and sells the harvested produce at wholesale rate, thus be the looser at both ends. The Farmer Interest Group (FIG) with 20 farmers in each Farmer Producer Company with 50 FIGs (FPC) platforms reverses this process by effecting collective purchase of inputs at wholesale rate and dispose the branded and value-added products direct to consumers at retail rate ensuring profitability of farming. The primary purpose of incorporation of farmer producer company with 1000 shareholder



**E.Vadivel**

farmer is to procure the produce of the members, clean, grade, add value, store and market direct to consumers with a brand of the Company for better profitability. The collective purchase of inputs for 1000 farmers ensures cost reduction in cultivation. Ultimately, the FPC assumes greater role in the supply chain in lieu of middlemen and ensures the better price for the produce. The Producer Company can undertake any type of agribusiness suited to the region, earn profit and share the profit with shareholder members as dividend. The producer Company would empower FIGs by sharing the part of the business or if FIG and FPGs undertake any business, the Producer Company can extend market support. The FPC could undertake joint business for mutual benefit. Since it is a social enterprise, it renders technical, financial, and marketing service to the shareholders through FIG. The density of such FPCs are increasing year after year in swelling figures and are federated into state level apex company with in each state; all such state level farmer producer Companies across the India would incorporate National level Producer Company, similar to Confederation of Indian Industry.

Bringing '*corporate culture*' into the farmer owned and managed FPOs was the real task; The capability to achieve this transformations should be uniform in all the FPOs of the state irrespective of the sponsor; It is essential to achieve this ideal in all FPOs uniformly and evenly so that such member owned institutions shall become sustainable in managing their business by building the capacity of FPO in terms of governance, administration, budget mobilization, finance control, management and discipline, incorporating value systems and ethics in business; A study was undertaken to evaluate the business models of different kinds of FPCs promoted by different sponsors, evaluate the business plan development process and the business models.

MATERIALS AND METHODS

Five FPCs of different sponsor were evaluated for different models of business plan, pattern of investment in relation to the process of business plan development and implementation

Sponsor as Prime Variable

Since the amendment to company Act 1956 was made during 2002 to introduce a new breed of Ltd company called 'Producer Company Ltd' to empower the farmers get connected to market for better economic returns, many producer companies have been incorporated in TamilNadu under the various projects: Self-initiated FPOs : 90 , NABARD sponsored in TN: 175, TN State sponsored FPOs: 52, GoI sponsored FPOs : 11, Coconut Development Board : 17 , Collective Farming project : 50 ; 2017-18.

Self-Promoted FPOs

In as much as the detailed guidelines were issued by GOI during April 2013, many of the self-initiated FPOs between 2002 – 2013 were having different profiles, specific features and business plans of different order. There was no proper understanding of logics and philosophies of the FPO by the self-promoted FPOs. However, there are self-promoted FPOs who would prefer to follow the guidelines of GOI and have the potential to get into larger business activities. National Agricultural Bank Agriculture and Rural Development (NABARD) sponsored FPOs

The NABARD sponsored FPOs were of altogether in a different pattern in which already existing members of farmers club and watershed groups were mechanically enlisted as member-share holder of the producer company, without preparing farmers for business platform. The Producer Organisation Promoting Institutions (PoPi) were given shortest possible time to incorporate the company. Further, each PoPi was assigned with a target of 12-15 FPOs in the district on diverse crops. The presence of PoPi in the allotted district was not there, the PoPi prefer to collaborate with local NGOs as partner whose understanding of FPO was almost incomplete.





E.Vadivel

Tamil Nadu State Sponsored FPOs

The State TN-SFAC promoted FPOs follow the guidelines of GOI and the promotion process involves the state marketing department mechanism; The department was shouldering many other schemes with inadequate staff at district level, resulting in inadequate focus on FPOs which eventually slows down the process. Further, the 'work culture' of Resource institutions and the district level officers of department differs in many districts, which would hamper the process of FPO formation process and execution of the business plans. To be specific, the department has target and achievement approach while the RI s have output and impact approach. Govt of India sponsored FPOs

The GOI sponsored FPOs emerge with strong footing, as they were incorporated following all the norms of the guidelines with adequate timeframe to 'prepare' the farmers as shareholders; The Farmers Interest Group (FIG) were highly sensitized on many grounds:

- i. The need for maximizing the productivity as well as enhancement of quality of the produce so as to have the Adequate volume coupled with quality for better business bargain. Demonstration, training and exposure visit help to achieve this objective.
- ii. Adequate attention was paid to impart entrepreneurial skills to the directors of the company. The training and exposure visits to BoDs and lead farmers empowers the BoD to master the art of management. The interactive sessions for new BoDs with BoDs of well-established FPOs help to deepen the understanding of the company affairs. The interaction with Auditor and Company secretary imparts the need for the upkeep of records and statutory registers and the issues related to RoC.

Coconut Development Board Sponsored FPOs

The FPOs under CDB has three tier systems. Societies, federations and FPO. The focus is much on Federation with no budget support for FPO establishment and promotion. No guidance for further business plan for FPOs.

Models of Business as Variable

The different models as given below were considered as second set of variables

- I. Business for FPC with no business of FIG: The entire capital is utilized by FPC for undertaking the business with no role for FIGs
- II. Business for FPC with part of the business shared with FIG: with equal investment and profit sharing arrangement
- III. Business for FPC with part of the business shared with FIG: with unequal investment and profit sharing proportionate to investment
- IV. Business for FIG with full investment and supported by FPC without investment

Survey was conducted with Directors of the FPCs and executives of FIGs (President, Secretary and Treasurer) across the different FPOs of different sponsors. The sample size was 150 Directors and 300 Executives in seven districts viz., Viluppuram, Trichy, Coimbatore, Namakkal, Vellore, Nagappattinam and Kanyakumari to represent the central, western, southern and eastern zone of Tamil Nadu as given below Table 01

Method of data collection: Primary source: The primary data were collected from the subjects with original schedules and questionnaire. The primary data was collected through personal interviews and in formal integrative sessions. The secondary data was collected from published sources and web sites. The questionnaire was designed on consultation with social scientists and experts. Cronbach's Alpha was used in this study to determine the internal reliability of each factor. The Cronbach's Alpha calculated for the Directors and Executives of FIG were found to be



**E.Vadivel**

0.862 for 150 items and 0.874 for 300 items. The data in this study was analysed using Statistics package for Social Scientists (SPSS) Version 20.00.

RESULTS AND DISCUSSION

The data collected were classified, tabulated and then analysed using appropriate statistical tools to get the results. The major objective of assessing the appropriate business models suited to different FPOs with farmers of different profile and different work culture inculcated by sponsors.

Gender

The involvement of female directors in decision making process of FPC is comparatively less (16%) as they are involved in production more seriously than in undertaking business; The men directors are too quick to adopt for participatory mode of decision making in the Board (84%) than women. The sense of caution prevails more in women folk than men folk in matter connected to money. Though the women directors were not able to discuss much on business matters, the final Yes or No invariably came from women directors when issues were thoroughly discussed and highlighted by men directors for better understanding and clarity; Similar trend was observed in the case of FIG executives also in as much as the Directors were selected from the lot of FIG executives and hence the similar trend.

Educational Standard

The data on Table 01. Reveals that the directors were predominantly graduates (48%) and executives (28.67%) were predominantly school educated. It is evident that the selection pressure applied to scout Directors were poised towards educated farmers in as much as the corporate language was too unpalatable to ordinary farmers. The presence of postgraduates confirms that the educated youth were interested in agribusiness rather than agriculture.

Size of the Farm Holding

Nearly 88 % of the directors and executives of FIG were small and marginal farmers against 12 % other farmers who have more than 2 ha. This gives an impression that the FPO programmes had inbuilt elements to strengthen the cause of small and marginal farmers. The composition of small, marginal and other farmers was found to exhibit the same trend among the executives of FIGs.

Occupation

In both the categories viz., Directors and Executives of FIGs, the higher % of farmers 68 and 72 % respectively were not exposed to trade and market environ as they continue to do agriculture alone over the generations. In the globalised market system, the FPO platform would certainly transform the peasant farmers into enterprising farmers. GoI sponsored FPOs would not require further capacity building trainings to undertake the business (80.44% indicating that the preparation of the Directors and FIG executives for market driven agriculture was complete during the process of FIG formation, FPC incorporation and business plan development. All the other FPOs of rest of the four sponsors expected continued capacity building training which indicates that the approach followed by the four institutions suffer implementation deficiency in one way or other which results in inadequate capacity to understand business elements.

The GoI sponsored FPOs go for equity grant and utilize credit guarantee fund scheme to mobilise budget and embark on scaled up business and that is why it had recorded 64 % preference for FPC to undertake scaled up business. The joint venture (FPC and FIG) was preferred by the FPOs promoted by State in as much as the fund flow is small and investment becomes equal for better business (Crocher J. 2010) The number of shareholder is any





E.Vadivel

number, the capital mobilized was small in NABARD promoted FPOs; The loan provided by NABKISAN attracts higher interest rate compared to any nationalized banks or other sources. Hence Model IV in which the individual in FIG made the investments with consent of rest of the members, the higher percentage of 72% was recorded which corroborated with the study of Narayanan. S. and Ashok Gulati 2002. Coconut development Board supports for development activities rather than the FPO incorporated through the societies and federations. The Directors and society executives require rigorous trainings to undertake a successful business.

CONCLUSION

Apart from FPO management support, GoI and State had provided supplementary budget support for promotion of pulses and millets and establishment of pulses and millets processing units. The support for show casing of produces and products, branding and marketing is also on the anvil. The TN Irrigated Agriculture modernization project also supports the FPOs with business promotion fund to FPOs. The FPO landscape is kaleidoscopic at present yet managed by Directors and Executives of FIG with competitive mind set up to the level of piloting few business ventures but had reluctance to undertake scaled up business. The GoI had constituted a steering committee to revamp the process guidelines to provide hand holding support for scaled up business. Though all four models were workable, they could be considered as suited to start ups. The scaled-up model is certainly the model I which alone could bring economic prosperity to farmers.

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Table 01: Number of Directors and FIG Executives

SI.No	Districts	Board of Directors		FIG Executives President,Secretary and Treasurer)	
		No.		No.	%
01	Viluppuram	22	14.67	36	12.00
02	Trichy	20	13.33	44	14.67
03	Coimbatore	20	13.33	46	15.33
04	Namakkal	24	16.00	38	12.67
05	Vellore	22	14.67	46	15.33
06	Nagapattinam	20	13.33	44	14.67
07	Kanyakumari	22	14.67	46	15.33
	Total	150	100.00	300	100.00





E.Vadivel

Table 02: Profile characteristics of the respondent Directors (n= 500)

Profile Characters	Number and % of Directors (150)		Number and % of FIG Executives (300)	
	Gender			
Male	126	84	226	75.33
Female	24	16	74	24.67
Educational Status				
School level	64	42.67	182	60.67
Undergraduate level	72	48.00	86	28.67
PG level	14	09.33	32	10.67
Size of Farm Holding				
i.Less than 1 ha	64	42.67	112	37.33
ii.Less than 2 ha	68	45.33	146	48.67
iii.More than 1 ha	18	12.00	42	14.00
Occupation				
Agriculture alone	102	68	216	72.00
Agriculture + Small business	48	32	84	28.00

Table 03: Frequency distribution of knowledge requirement on FPOs

SI.No	Continued Capacity building trainings to Directors and Executives of FIGs on FPO Business management	Not essential	Moderately essential	Essential	Total
01.	Self-promoted FPOs	10 (2.30)	18 (4.0)	422 (93.70)	450 (100)
02	TN State sponsored FPOs	32 (7.10)	378 (84.00)	40 (8.90)	450 (100)
03	NABARD FPOs	47 (10.40)	18 (4.0)	385 (85.50)	450 (100)
04.	GoI sponsored	362 (80.44)	62 (13.78)	26 (5.78)	450 (100)
05	Coconut development Board sponsored	20 (4.44)	28 (6.22)	402 (89.34)	450 (100)

Table 04: Business models adopted in different FPOs (%)

SI.No	Types of business	GoI	TN State	NABARD	Coconut Dev. Board	Self Promoted
01.	Model I	64.00	24.00	6.00	98.00	78.00
02	Model II	10.00	58.00	12.00	0.00	14.00
03	Model III	14.00	12.00	10.00	0.00	0.00
04	Model IV	12.00	6.00	72.00	2.00	8.00

