Genesis of dairy based farmer producer companies in Kerala

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Abstract: A study on the genesis of dairy based farmer producer companies was carried out in five companies of Kerala. From each company 24 members were randomly selected. Reasons behind the formation of company were analyzed statistically. The study revealed that 96.66 percent of respondents viewed better price realization through direct sale of farm produce by eliminating middleman as the foremost reason of company formation followed by availability of farm inputs at reasonable rate (90.83%) and benefits from various government schemes (90.83%) through producer company. Other important reasons were upgraded technology, reducing risk in farming, upliftment of women, value addition, capacity building and storage facility.

Keywords: Dairy, Farmer producer company, Genesis, Kerala

Introduction

Indian agriculture is predominantly characterized by large number of dispersed and fragmented small holdings. Around 85% of land holdings belong to small and marginal farmers. Being unorganized, these farmers are unable to realize good value for their produce.

Farmer Producer Companies (FPC) enable member farmers to reap the benefits of economies of scale in purchase of inputs, processing and marketing of their produce. FPC is said to be viable option for farmers to transformation agriculture in to a new profit oriented company. Because of increased political inference in cooperatives, farmers are not able to satisfy their needs. This paved the way for the birth of Farmer producer companies (Navaneetham *et al*, 2017). FPOs are farmers' collectives, with membership mainly comprising small/marginal farmers (around 70 to 80%). Presently, around 5000 FPOs (including FPCs) are in existence in the country, which were formed under various initiatives of the Govt. of India (including SFAC), State Governments, NABARD and other organizations over the last 8-10 years. Of these, around 3200 FPOs are registered as Producer Companies and the remaining as Cooperatives/Societies, etc. Majority of these FPOs are in the nascent stage of their operations with shareholder membership ranging from 100 to over 1000 farmers and require not only technical handholding support but also adequate capital and infrastructure facilities including market linkages for sustaining their business operations. With a view to encouraging enabling environment for aggregation of farmers into FPOs and take advantage of economies of scale, the Govt. announced 100% cent percent tax deduction for FPOs with annual turnover of up to Rs. 100 crores. (National Paper - PLP 2019-20, NABARD).

Farmer Producer Companies (FPC) are institutions that have all the significant features of private enterprises while incorporating principles of mutual assistance in their mandate, like co-operatives (Pustovoitova, 2011). But they differ from co-operatives in several other respects (Table 1). The basic purpose envisioned for the FPCs is to collectivize small farmers for backward linkages for inputs like seeds, fertilizers, credit, insurance, knowledge and extension services; and forward linkages like collective marketing, processing and market-led agriculture production (Mondal, 2010). While co-operatives entail benefits to farmers via state intervention, FPCs are perceived to empower farmers through collective bargaining, along with instilling an entrepreneurial angle to farming.

The Indian government is promoting the formation of FPCs. It is another form of business like co-operatives. In 2002, the

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Government of India amended the Companies Act, 1956, by incorporating part IX A, based on the recommendations of the Y. K. Alagh Committee (Mondal, 2010). Producer Companies are to be registered with the Registrar of Companies as limited companies formed with equity contribution from the members. The day-to-day operations are to be managed by professionals under the instructions of the Board of Directors elected by the General Body for a specified tenure (Mondal, 2010). The Department of Agriculture and Cooperation had issued a policy document titled "Policy and Process Guidelines for Farmer Producer Organizations" in 2013 to encourage the formation of FPCs. It also set out indicative guidelines for the formation and performance of these collectives (Department of Agriculture & Cooperation, 2013). The primary evidence on FPCs in India indicate the potential to integrate small farms into the modern agricultural supply chains, increasingly dominated by large market players (Trebbin & Hassler, 2012; Trebbin, 2014). Present study highlights the genesis of Dairy Based Farmers Producer Companies in Kerala.

Materials and methods

The present study was purposively conducted in Kerala state. Geographically Kerala divided in to three zones namely southern,

central and northern (Padhmanabhan, 2011). Based on the information from NABARD Regional centre, Thiruvananthapuram, there were 11 animal based farmer producer companies working during July 2017- 2018. Out of these 11 animal based farmers producer companies 5 dairy based farmer producer companies were selected purposively i.e. one from northern, two from central and two from southern region. These companies were located in the districts of Wayanad (northern zone), Palakkad (central zone), Idukki (central zone), Pathanamthitta (Southern zone) and Thiruvananthapuram (Southern zone). The ex-post facto research design was applied in this study. The producer companies had atleast 2 years of its existence. The respondents were selected on the basis of membership since last 2 years with particular company. Finally, 120 respondents were included in the study. In order to study genesis of company, producer company members were asked the evolution stages of that particular company and reasons for joining the producer company. Opinions were analyzed statistically using frequency and percentage.

Results and discussion

The reasons for formation of farmers producer companies and a brief description of genesis of each company are presented in

Table 1 significant differences between producer companies and co-operatives

Parameters	Co-operatives	Producer Company
Registration	Cooperative Societies Act	Indian Companies Act
Area of Operation	Registered operational area	Entire Union of India
Nature of Business	Marketing, service and delivery agencies	Primarily agencies to provide marketing solutions to pooled produce
Membership	Based on ownership of land /residence	Based on concept of shareholding
Share	Non-transferable	Transferable, limited to members on par value
Profit sharing	Limited dividends on shares	Commensurate with volume of business
Voting rights	One member, one vote, Government and Registrar of Cooperatives hold veto power	One member, one vote. Members not having transactions with company cannot vote
Governance	Federated into the District Cooperative Union/ Regional cooperative Union . Receive financial, technical and administrative support from the government	Stand-alone, self-reliant bodies with self-governing capabilities
Reserves	Created if there are profits	Mandatory
Borrowing Power	Restricted to loans granted and disbursed by the co-operative bank to which the PAC is linked	More freedom and more alternatives available. FPCs are allowed to raise capital from external sources
Relationship with other business and non-profit entities	Transaction based	Producers and corporate/non-profit entities can together float a Producer Company

Sources: Department of Agriculture and Cooperation (2013); Dwivedi (1996); Mondal (2010); National Advisory Council (2012).

Table 2 Major reason for formation of farmer producer company (FPC)

Major Reason	Selected dairy based farmer producer company (FPC)					
	FPC-1(n=24)	FPC-2(n=24)	FPC-3(n=24)	FPC-4(n=24)	FPC-5(n=24)	Pooled(n=120)
Farm inputs availability at reasonable rate	20(83.34)	23(95.83)	24(100.00)	18(75.00)	24(100.00)	109(90.83)
Direct sale of farm produce by eliminating middleman	24(100.00)	24(100.00)	24(100.00)	20(83.34)	24(100.00)	116(96.66)
Capacity building	7(29.17)	24(100.00)	20(83.34)	20(83.34)	20(83.34)	91(75.83)
Value addition	5(20.83)	24(100.00)	22(91.67)	22(91.67)	20(83.34)	93(77.50)
Benefits from various govt. schemes	13(54.17)	24(100.00)	24(100.00)	24(100.00)	24(100.00)	109(90.83)
Upliftment of women	15(62.50)	24(100.00)	24(100.00)	15(62.50)	24(100.00)	102(85.00)
Reduced risk in farming	14(58.33)	24(100.00)	22(91.67)	19(79.17)	24(100.00)	103(85.83)
Upgrade technology	23(95.83)	22(91.67)	20(83.34)	21(87.50)	21(87.50)	107(89.16)
Storage facility	14(58.33)	20(83.34)	22(91.67)	20(83.34)	6(25.00)	82(68.33)
Credit facility from company	6(25.00)	0(0.00)	0(0.00)	0(0.00)	0(0.00)	6(25.00)

Table 3: Selected dairy based farmer producer company and supporting agencies

Selected dairy based farmer producer company	Supporting Agency	Year of initiation	Zone
FPC-1	NABARD	2016	Southern
FPC-2	NABARD	2016	Southern
FPC-3	Kudumbashree	2016	Central
FPC-4	NABARD	2016	Central
FPC-5	NABARD	2013	Northern

Table 4 Genesis of dairy based farmer producer companies

Farmer producer companies	Genesis of company
Farmer producer company-1	<ul style="list-style-type: none"> ➤ Sabarmathi is an NGO working at Venjarumood, Thiruvananthapuram since 1995. ➤ Sabarmathi is a Gandhian institution through which programs of central government, state government and World Bank were implemented. ➤ Since 2012, NABARD has been extending the programmes like Samyojitha mutta Gramam (Egg village) Aadu Gramam (Goat village) through Sabarmathi. ➤ The Sabarmathi FPC was initiated with the help of a promoting institution (District cooperative bank). In 2016, it was registered as Sabarmathi Agriculture and livestock Farmer Producer Company limited.
Farmer producer company-2	<ul style="list-style-type: none"> ➤ SEVENSEAS Socio-economic development Society, an NGO established in 1996 (Reg No. P-103/96), dedicated for sustainable development of poor and marginalized sections of Pathanmthitta, Kollam and Alappuzha District of Kerala. ➤ They act as catalyst to empower the community towards self-reliance. ➤ They have already initiated 523 self-help groups in their area of operation. ➤ Majority of the population of project area were rubber farmers and due to less income from rubber taping the project beneficiaries required shift from traditional to experienced dairy units. Moreover, quality milk is in demand & climate is congenial for cow rearing. ➤ In 2016 NABARD initiated Konni Dairy Producer Company Ltd. through SEVENSEAS Socio economic development society as Producer Organization Promoting Institution (POPI).

Farmer producer company-3	<ul style="list-style-type: none"> ➤ Kudumbashree district mission, Idukki, started Kudumbashree units for the betterment of woman dairy farmers. ➤ A project named Ksheerasagaram was implemented in Kudumbashree units in 2012. ➤ As a part of this project, kudumbashree units set up a 5 members group and to each group 10 cows were allotted. ➤ But this programme did not fulfill expectations. In this situation a concept called milk Producer Company got initiated. ➤ In 2016, with the support of Kudumashree district mission, Imasree milk Producer Company Ltd. was initiated.
Farmer producer company-4	<ul style="list-style-type: none"> ➤ Palakkad district is a rural area and most of the people depend on agriculture and dairy for their livelihood. ➤ They were producing paddy, vegetables, coconut, banana, spices etc. The farmers sell their produce through middlemen and were not getting adequate income because they were exploited by middlemen. ➤ To overcome this, NABARD initiated a producer company in that area. ➤ In 2016, Jan Kissan Producer Company Ltd. Palakkad was registered. ➤ Jan Kissan producer company produce products like milk & milk products, compost, bio-fertilizers, organic manures, by products of cow dung & cow urine.
Farmer producer company-5	<ul style="list-style-type: none"> ➤ Dairy farmers get Rs. 28-32/ liter of milk in cooperative societies. But in outside they get around Rs. 45/ liter. Farmers were exploited since they were deprived of actual price for their produce. ➤ A self-help group namely Ksheerasagara was in existence for dairy promotion. But this programme did not fulfill expectations. ➤ In 2013, members of Ksheerasagara, registered as BANA Agro & Allied Farmer Producer Company Ltd. with the financial help of NABARD under rural infrastructure development fund

the tables.

Reasons for formation of company

Data presented in Table 2 indicates 10 major reasons for company formation. It is clearly indicated that 96.66 per cent of the respondents opined that direct sale of farm produce for maximum profit was the foremost reason of company formation and followed by availability of farm inputs at reasonable rate and benefits from various government schemes, through producer company (90.83 percent each). Other important reasons were upgraded technology (89.16%), reducing risk in farming (85.83%), upliftment of women (85.00%), value addition (77.50%), capacity building (75.83%) and storage facility viewed by 68.33 percent of the respondents. Research evidence increasingly points to opportunities that farmer organizations create for small and marginal farmers to participate more effectively in markets (Stockbridge et al., 2003). Entry barriers to markets were also reportedly reduced through collective action of small and marginal farmers because of enhanced bargaining power (Kherallah et al., 2002; Thorp et al., 2005). Traditionally, small and marginal cultivators sold their produce at the farm gate, often to middlemen at low prices (Fafchamps and Hill, 2005).

Brief description about genesis of selected companies

Supporting agencies of selected farmer producer companies, their year of initiation and respective zones are described in Table 3. A brief description of genesis of each company is presented in the Table 4.

Conclusions

The study reveals that 96.66 percent of respondents viewed direct sale of farm produce for maximum profit by elimination of middleman as the foremost reason of company formation closely followed by equally 90.83 percent availability of farm inputs at reasonable rate and benefits from various government schemes, through producer company. Other important reasons were upgraded technology, reducing risk in farming, upliftment of women, value addition, capacity building and storage facility. From the description we came to know that the earlier existed farmers group like self-help group which later get converted in to producer company with the help of supporting agencies like NABARD and Kudumbashree.

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