Challenges and Suggestions on Effective Functioning of Farmer Producer Companies by its Members in Shivamogga District of Karnataka

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Abstract

The future of sustainable agriculture growth and food security in India depends on the performance of small and marginal farmers. However, these farmers are prone to challenges like lack of access to technology, forward linkage, market information etc. In India, different models of collectivization and institutional innovations have been employed to support small and marginal farmers. Farmer Producer Organization (FPO) is one such effort. Since 2002, around 7000 FPOs have been promoted by various agencies (MANAGE). Thus, considering the significance of FPOs, a study was conducted during 2019 to investigate the constraints faced by the members and their suggestions with respect to FPOs in Shivamogga. A total of 120 members from six FPOs were interviewed. The majority of the respondents expressed constraints such as problems related to lack of processing units non-existence of procurement system, absence of proper market linkage and poor credit facilities. The suggestions related to the establishment of processing units, conduct of awareness programmes about FPO, improvement of procurement system, enhancement of credit facility, need for proper market linkage, availability of CHS at lesser rates. This paper gives a detailed picture of challenges faced by the FPO members and their self-experienced feedback to improve their functionality.

Keywords: Farmer Producer Company, Constraints, Suggestions, Small Farmers, Marginal Farmers

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Introduction

The future of sustainable agriculture growth and food security in India depends on the performance of small and marginal farmers. However, these farmers lack sustainable livelihood options as they are prone to asymmetries. They are not economically viable to adopt the latest technologies and are unable to realize good value from the marketable surplus by individually selling their produce. In a country like India, the role of small farmers in poverty reduction is well recognized. However, in the absence of a robust public/private support system at the ground level farmers face challenges in accessing land, water, inputs, credit, technology and market. There are structural and governance challenges too. In spite of the challenges discussed above, there are technological as well as institutional innovations taking place to enable small farmers to increase productivity and income through collective initiatives.

Different models of collectives have been tried in India such as Self-Help Groups, Common Interest Groups (CIGs), Joint Liability Groups (JLGs), Farmers Club, Farmer Producers Organisations etc. The Government of India mooted the idea of collective thinking and behaving like business entities by getting incorporated as Producers' Companies under the Companies Act of 1956 (amended in 2002). Y.N. Alagh Committee, on 6th February 2003 recommended the concept of Farmer Producer Organization (FPO). Producers are the shareholders in the organization. In fact, Producers Company is the most appropriate institutional form which enables farmers to build their capacity to collectively leverage their production and marketing strength.

About Farmer Producer Company

A Farmer Producer Company (FPC) can be formed by any 10 or more primary producers or by two or more producer institutions, or by a combination of both. An FPC is a hybrid between cooperative societies and private limited companies. The Farmer Producer Companies, registered under the Indian Companies Act, 2013, have democratic governance, each producer or member has equal voting rights irrespective of the number of shares held.

The main aim of the FPC is to ensure better income for the producers through an organization of their own. Small producers do not have the volume individually (both inputs and produce) to get the benefit of economies of scale. Besides, in agricultural marketing, there is a long chain of intermediaries who very often work non-transparently leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays. Through aggregation, the primary producers can avail the benefit of economies of scale. They will also have better bargaining power vis-à-vis the bulk buyers of produce and bulk suppliers of inputs. A study in Andhra Pradesh states that the major issues which were hindering the growth of FPCs were the lack of a coordinated approach of the promoting agencies and the government in promoting the farmer organizations (Raju et al. 2017).

Presently 4959 FPOs are functioning throughout India. Maharashtra is having the highest number of FPOs (1950) in the country and Karnataka has 195 (https://pib.gov.in/PressReleasePage). Shivamogga district has 9 FPOs which are promoted by Producer Organization Promoting Institutes like Chaitanya Rural Development Society and the State Department of Horticulture of Shivamogga.

Methodology

The Ex post-facto research design was conducted in Shivamogga District of Karnataka State during 2019. The districts provide an ideal region to undertake the study in view of the diverse culture, climate encompassing both Maidan and Malnad regions. Out of 31 districts in Karnataka, Shivamogga district was purposively selected as it is one of the front running districts in the FPO program in Karnataka. The major NGOs namely Shri Kshetra Dharmsthala Rural Development Project (SKDRDP), Chaitanya Rural Development Society and the Department of Horticulture are actively involved in the promotion of FPOs. Among seven taluks of Shivamogga district, four taluks were purposively selected based on the availability of the highest number of members of FPO. A total of six (3 each promoted by NGO and State Department of Horticulture) actively functioning FPOs which have completed a minimum of three years of functioning were selected for the study. From each of the FPOs, 20 respondents were selected based on their availability at the time of the interview. Thus, the total sample size of the study was 120.

About CRDS

Chaitanya Rural Development Society is a registered non-profitable organization grounded in social values for the care of the weaker sections of the society and to serve them without any consideration of caste and creed. It was founded in 1996 and is inspired by good leadership. The organization is acting as a promoting institute for nine Farmer Producer Organizations.The organization today has extended the services to over 725 villages in two districts, namely Shivamogga and Davanagere of Karnataka State.

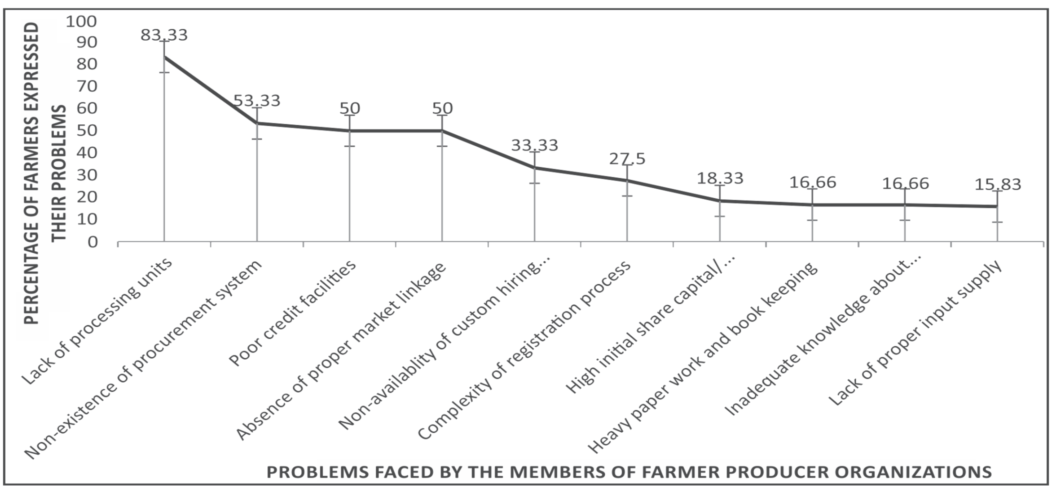
Results and Discussion

The results presented in Table 1 reveal various constraints faced by the respondents with respect to FPOs. A majority of the respondents expressed constraints such as problems related to lack of processing units (83.33%), non-existence of procurement system (53.33%), absence of proper market linkage (50.00%), Poor credit facilities (50.00%), non-availability of custom hiring service (33.33%), complexity of the registration process (27.50%), high initial share capital/ membership charge (18.33%), heavy paper work and bookkeeping (16.66%) and lack of proper input supply (15.83%).

Table 1: Problems faced by the Members of Farmer Producer Organizations (n=120)

S.No.	Items	Frequency	Percentage
1	Lack of processing units	100	83.33
2	Non-existence of procurement system	64	53.33
3	Poor credit facilities	60	50.00
4	Absence of proper market linkage	60	50.00
5	Non-availability of custom hiring service	40	33.33
6	Complexity of registration process	33	27.50
7	High initial share capital/membership charge	22	18.33
8	Heavy paper work and bookkeeping	20	16.66
9	Inadequate knowledge about various services provided by FPO	20	16.66
10	Lack of proper input supply	19	15.83

Graph 1 shows that more than three fourth of the respondents (83.33 %) expressed their problem of lacking processing units; the probable reason for this might be the high cost involved in establishing processing units and lack of technical knowledge regarding



Graph1. Problems Faced by the Members of Farmer Producer Organizations

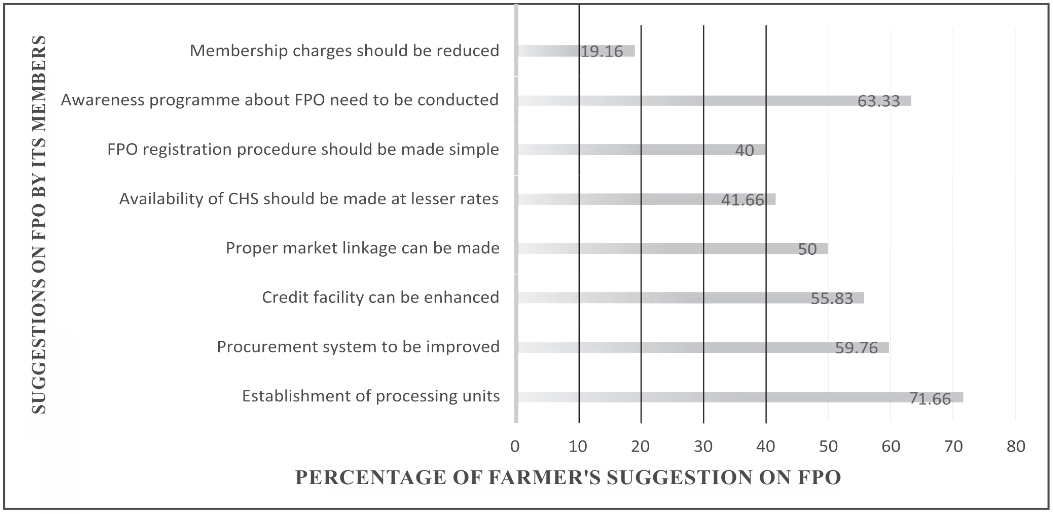
processing technology. The second major constraint is the non existence of procurement system which is 53.33 per cent as only three FPOs are performing the activity of procuring commodities and the other reason might be the improper or lack of market linkage between farmers and buyers. As a result of poor marketing linkage and credit facilities, 50 per cent of members are facing the problem of improper procurement system followed by lack of custom hiring services (33.33%). The findings are in line with Chinmayi (2015).

Table 2: Suggestions Offered by the Respondents to Strengthen Performance of FPOs **n=120**

S.No.	Suggestions	Frequency	Percentage
1	Establishment of processing units	86	71.66
2	Awareness programme about FPO need to be conducted	76	63.33
3	Procurement system to be improved	71	59.76
4	Credit facility can be enhanced	67	55.83
5	Proper market linkage can be made	60	50.00
6	Availability of CHS should be made at lesser rates	50	41.66
7	FPO registration procedure should be made simple	48	40.00
8	Membership charges should be reduced	23	19.16

Table 2 depicts suggestions given by the respondents for better performance of the FPOs. The suggestions relate to establishment of processing units (71.66%), conduct of awareness programmes about FPO (63.33%), improving procurement system (59.76%), enhancing credit facility (55.83%), proper market linkage can be made (50.00 %), availability of CHS to be made at lesser rates (41.66%), FPO registration procedure to be made simple (40.00%) and reducing membership charges (19.16%).

Graph 2. Suggestions offered by the Respondents to Strengthen the Performance of FPOs



Graph 2 depicts suggestions given by the respondents to overcome the problems. The establishment of processing units related to primary processing was the suggestion given by a majority (71.66 %) of the respondents. Some of the respondents due to the non-availability of processing facilities for their high value produce such as areca nut and horticulture crops like chilly, tomato etc., suggested setting up processing units so that they could fetch a higher price for their produce. About 59.76 per cent of the respondents opined to improve the market gap between buyers and farmers by bridging the gap between the ensured buyers and farmers with a proper procurement system on a contractual/agreement-based method. Sixty-seven respondents suggested enhancing the credit facility for the members either as collateral loan/pledge loans by keeping their produce as a sign of assurance. Around 41 per cent of the respondents suggested making the farm equipment available on time and with lesser rents under the custom hiring services of farm equipment during the pre-monsoon and post-harvest period. Forty per cent of the respondents opined that the registration process should be made simple as it will be helpful even for illiterates to get membership in the FPOs. A very small number of respondents i.e., 19.16 per cent of the members opined that membership charge imposed was heavy and can be reduced. The findings are in line with Puneet (2016).

Conclusion

In the present day, due to a smaller number of extension personnel, it becomes difficult to contact each individual farmer by individual contact method. Due to the establishment of FPOs the members are getting the services like inputs, advisory services, custom hiring services at their doorstep at reasonable prices. On the other hand, the extension work becomes easier due to the union of farmers into organizations. In spite of the advantages in FPO, there are some constraints expressed by the members that came to light during the study. It is found that the FPOs are operating better in terms of supplement of inputs i.e., backward linkage whereas there is a lack in marketing linkage for the produce of farmer members. Thus, it is recommended to uplift or improve the lacunae felt by the members of Farmer Producer Companies in order to improve the performance of these Organizations.

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