

Economic Aspects of Mangrol Groundnut Producer Company Ltd. : Deployment of Groundnut Growers Towards the Formation of FPO in Mangrol Taluka of Junagadh District

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Abstract

The Farmer Producer Organization is hybridizing of cooperative society and private limited company. Most of the initiatives on producer companies were started and promoted by NGOs/ development agencies/ sponsoring organizations. The core aim of FPO is to improve member farmers' income and standard of living by purchasing farm produce from them and selling the products after value addition in the market. This study was conducted to identify the economic benefits of FPOs for farmers, based on the actual trial of 100 Kgs groundnut processing. The tabular method was used to measure the economic aspects of Mangrol Groundnut Producer Company. From the study of cost and returns of groundnut processing, it was observed that the business of value addition was profitable for the Company by the traditional method done through process outsourcing. However, it would be more profitable by establishing its processing plant by the traditional method.

Keywords: Farmers Producer Organization, economic aspects, groundnut processing

Introduction

Until recently, The Companies Act, 1956 has recognized three types of companies: 1) Companies limited by share capital that means the liability of members is limited up to the share capital paid by them; 2) Companies

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limited by guarantee that means the company gives the guarantee to pay the amount. It includes non-government organizations and 3) Unlimited companies that means the liability of members is not limited up to the share capital paid by him but it is unlimited. From 2002, The Companies (Amendment) Act, 2002 has introduced a fourth type of company that is Producer Company. The producer company is a hybrid of cooperative society and private limited company. The name itself gives the meaning of the producer company. A Producer means a person engaged with primary production especially by farming. A company means a group of people occupied under the limitation of certain rules and regulations. Thus, the producer company means a group or a company formed by the primary producers. The producer company is also recognized as the Farmer Producer Organization (FPO). The producer company is limited by share capital. The shares are transferable among the members of the company only under the permission of the Board of Directors.

Meaning of Producer Organization (PO)

A Producer Organization (PO) is a legal entity formed by primary producers, viz. farmers, milk producers, anglers, weavers, rural artisans, artisans. FPO is a type of PO where the members are farmers. Small Farmers' Agribusiness Consortium (SFAC) is providing support for the promotion of FPOs. PO is a generic name for an organization of producers of any produce, e.g., agricultural, non-farm products, artisan products, etc. NABARD, SFAC, Government Departments, Corporates and Domestic & International Aid Agencies provide financial and/or technical support to the Producer Organization Promoting Institution (POPI) for promotion and handholding of the PO.

State-wise no. of FPOs



Figure 1: State-wise registered Producer Companies Status as of February 2020

(Source: Anon., 2020a)



Figure 2: Business activity of the FPOs supported by NABARD

(Source: Padmaja et al., 2019)

Fundamental features of a PO

- It is formed by a group of producers for either farm or non-farm activities.
- It is a registered body and a legal entity.
- Producers are shareholders in the organization.
- It deals with business activities related to the primary produce/product.
- It works for the benefit of the member producers.
- A part of the profit is shared amongst the producers.
- The rest of the surplus is added to its owned funds for business expansion.

Profile of Mangrol Magfali Producer Company Limited

Mangrol Magfali Producer Company Ltd. (MMPC) is endorsed by Aga Khan Rural Support Programme - India (AKRSP (I)), which is a non-government organization. Mangrol is a district that covers most of the villages in the MMPC. Magfali which means groundnut is a major crop of Mangrol district. So, the name of the producer company is selected as "Mangrol Magfali Producer Company Ltd.". The MMPC was registered under The Companies (Amendment) Act, 2013, on 3rd March 2015. It was registered under the companies act, 2013, section 7(2). The registration number is U01407GJ2015PTC082469. The MMPC is limited by share capital. It has twelve members on its Board of Directors. The main concept of the company is to enhance the profit of the member farmers by cutting down the cost of cultivation and by value addition of primary products like raw groundnut, wheat. It focuses on organic farming and conservative agriculture. It suggests to farmers to use green manure, dung manure, neem oil, etc., as organic substances. It also guides farmers about climate change, causes of climate change, problems and solutions to cope with climate change.

Objectives of the Study

The objectives of this study were to calculate the cost and returns of groundnut processing.

Methodology

For measuring economic aspects of groundnut processing, the tabular method was used for the traditional method and modern method.

Results and Discussion

The cost and returns of groundnut processing were calculated from the actual trial of 100 kilograms of groundnut. The company is engaged with the value addition process of raw agricultural products to increase the value of the product and the company tries to provide the maximum price of the

product to the farmers as far as possible. By value addition process, the company produced salted peanuts from 100 kilograms of groundnut. Salted peanuts were produced by process outsourcing and the data related to the packaging of the salted peanuts were estimated as per market rates of packing materials. From the data of groundnut processing, the cost sheet was prepared as given below. Table 1 presents the cost sheet of a 100 Kg trial by process outsourcing by traditional method and Table 2 represents the cost sheet of salted peanuts if the company would produce by its plant by traditional method and data were collected from a local producer of Mangrol. Table 3 represents the cost sheet of salted peanuts produced by modern method or by roaster machine and the data of the owned plant was collected from Khodiyar House at Keshod.

Table 1: Cost Sheet of Groundnut Processing by Process Outsourcing by the Traditional Method

S. No.	Particulars	Rs./kg	Per 100 Kgs (Rs.)
1	Raw material (varies as per price)	67.50	6750
2	Process outsourcing (Includes: loss by reduction of the weight Rs. 6 (10%, varies as per price of peanuts), labour charges Rs. 3, fuel Rs. 3, profit for its own Rs. 3)	15.00	1500
3	Labour charges for packing	1.60	160
4	Packing material	0.50	50
5	Electricity	0.20	20
6	Sales commission	5.00	500
7	Building Rent	0.20	20
8	Machinery charge	0.07	7
	Staff salary	2.00	20
9	Total cost	92.06	9206
10	Sales price	100	10000
11	Profit	7.94	794

Table 1 shows the cost sheet prepared from the actual trial of 100 kilograms of groundnut. From the groundnut, salted peanuts were prepared by process outsourcing by the traditional method at Mangrol. For this purpose, peanuts were purchased at Rs. 6750 per 100 Kgs from the members of the producer company. The production company had to pay Rs. 15 for process outsourcing that includes loss of weight Rs. 6, labour charges Rs. 3, fuel charges Rs. 3 and its profit Rs. 3. From the table, it can be seen that by process outsourcing the company can earn a profit of Rs. 7.944 per kg. It can be concluded that, if the producer company starts the business, then it will be profitable.

Table 2: Cost Sheet of Groundnut Processing by Own Plant by a Local Producer at Mangrol by the Traditional Method

S. No.	Particulars	Rs./kg	Per 100 Kgs (Rs.)
1	Raw material (varies as per price)	67.50	6750
2	Loss by reducing weight	6.00	600
3	Labour charges	3.00	300
4	Fuel	3.00	300
5	Labour charges for packing	1.60	160
6	Packing material	0.50	50
7	Electricity	0.20	20
8	Sales commission	5.00	500
9	Building Rent	0.20	20
10	Machinery charge	0.07	7
11	Staff salary	2.00	200
12	Total cost	89.06	8976
13	Sales price	100	10000
14	Profit	10.94	1094

Table 2 presents the cost sheet of processed salted peanuts produced by the local producer by own plant by the traditional method. From the table, it can be observed that if the company produces by establishing its own plant, by the traditional method, profit will be more than the process outsourcing. The profit is more because the cost of process outsourcing is reduced in the producer company's plant. Thus, the process by own plant is more profitable than process outsourcing.

Table 3: Cost sheet of Groundnut Processing by the Modern Method by Khodiyar House at Keshod

S. No.	Particulars	Rs./kg	Per 100 Kgs (Rs.)
1	Raw material (varies as per price)	67.50	6750
2	Loss by reducing weight	6.00	600
3	Labour charges	5.00	500
4	Electricity for roaster	5.00	500
5	Depreciation	5.00	500
6	Labour charges for packing	1.60	160
7	Packing material	0.50	50
8	Electricity	0.20	20
9	Sales commission	5.00	500
10	Building Rent	0.20	20
11	Staff salary	2.00	200
12	Total cost	98	9800
13	Sales price	100	10000
14	Profit	2	200

Table 3 presents the cost sheet of salted peanuts processed by modern method i.e. Roaster by Khodiyar House at Keshod. The production cost by the modern method is higher than the traditional method. In the modern method, depreciation of machinery will increase; due to the depreciation

cost, the production cost is increased. The Khodiyar House does not engage with the packing of the processed salted peanuts. It engages with the retail selling of products. Thus, the packing data are estimated from the actual trial of 100 Kg groundnut.

Summary and Conclusion

The cost and returns of groundnut processing were calculated from the actual trial of 100 kilograms of groundnut. The cost sheet was prepared from the actual data of the trial. The producer company produced the salted peanuts by process outsourcing from which, the producer company earned a profit of Rs. 7.944 per kilogram by the traditional method. If the company produces the product by establishing its own plant, then the company will earn a profit of Rs. 10.944 per kilogram by the traditional method. If the producer company establishes a modern plant for the processing, the profit will be Rs. 2 per kilogram. Thus, it can be concluded that the producer company could earn more profit by establishing its traditional plant.

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