TOWS Matrix Analysis: A Strategic Framework to the Sustainability of Farmer Producer Companies (FPCs)

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ABSTRACT

In present scenario the sustainability and efficient management of Farmer Producer Companies (FPCs) are the biggest challenge to be answered for the promoting agencies. For that one has to frame strategic planning to pave a way forward for working and decisionsof FPCs. TOWS analysis includes creating a list of threats, opportunistic, weaknesses and strengths. It gives clues for examining a company and helps it to convert the challenges into opportunities and there by minimize threats by exploiting strengths and overcoming weaknesses. The matrix reveals about external threats in the form of competition from private companies, absence of risk mitigation procedure, policy changes, influential interference etc. FPCs are fortunate to have opportunities as credit support, training, future market, government schemes, value addition, retailing supporting institutions etc. The low level of participation, poor infrastructure needed for value addition and processing, lack of professional expertise have been weaknesses need to be overcome by harnessing the opportunities. The "we" feeling among the members and economies of scale are the biggest strength of FPCs. Strategies in the form of vertical integration, quality improvement, marketing in collectivism, developing infrastructure facilities, training for professional expertise, availing new technologies, competing in retail market with benefit of direct selling could be of great significance to them. The TOWS analysis of FPCs individually reveals that the factors vary with change in region and produce. Therefore, the strategies need to be developed identically for every FPC. There is wider scope for direct retailing and quality product with brand names. The FPCs not only provide monetary benefits to the member, but also enhance their confidence in farming.

Keywords: SWOT, TOWS, Threat, Opportunity, Weaknesses, Strength, FPOs, FPCs

Introduction

With average land holdings of 1.08 hectare (Agri. Census 2015-16) and majority

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of farmers having less than 1 hectare to cultivate, farmers cannot individually think about investing in modern farm technologies for enhancing farm productivity. Aggregation through FPOs is the only feasible option left for farmers to enjoy economies of scale to enhance their bargaining power and farm-related value accruals.

A producer company is basically a corporate body registered as a Producer Company under Companies Act, 1956 (As amended in 2002). Its main activities consists of production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the members or import of goods or services for their benefit. It also includes, promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce.

The FPC model essentially focuses on common interest groups as the basic unit for aggregation, with neither a limit on the size of membership nor on the extent of the operational area. FPCs can accommodate only primary producers to participate in the ownership and management of FPCs, i.e., the members (individuals or SHGs) necessarily have to be "primary producers" – persons engaged in any activity connected with or related to primary produce. With regard to cooperatives, its architecture allows scope for political and government interference and control in management.

Objective

Like other companies, FPCs should also focus on regularly framing strategic plans for its continuous growth and development. Here, we have opted for TOWS matrix analysis to lay down the way forward pathway to be focused on using present internal and external situations. It is common to suggest that companies should identify their strengths and weaknesses as well as the opportunities and threats in the external environment; but, what is often overlooked is that combining these factors may require distinct strategic choices. To systematize these choices, the TOWS Matrix has been proposed, where T stands for threats, O for opportunities, W for weakness, and S for strengths. The TOWS model starts with the threats (T in TOWS), because in many situations a company undertake strategic planning as a result of perceived crisis, problem, or threat.

Methodology

The TOWS Matrix has been introduced for analyzing the competitive situation of the company or even a nation that leads to the development of four distinct sets of strategic alternatives. The TOWS Matrix is a conceptual framework for a systematic analysis that facilitates matching of the external threats and opportunities with the internal weakness and strength of the organization.

Four Alternative Strategies

- The WT strategy aims to minimize both weakness and threats and may be called the Mini-Mini (for "minimize-minimize") strategy. It may require that the company, for example, form a joint venture, retrench, or even liquidate.
- The WO strategy attempts to minimize the weakness and maximize the opportunities. Thus, a firm with weaknesses in some area may either develop those areas within the enterprise or acquire the needed competencies from outside, in order to enable it to take advantage of opportunities in the external environment.
- The ST strategy is based on using the organization's strengths to deal with threats in the environment. The aim is to maximize the former while minimizing the latter. Thus, a company may use its technological, financial, or marketing strengths to cope with the threats of a new product introduced by its competitor.
- The SO strategy, which capitalizes on a company's strengths to take advantage of opportunities, is the most desirable. Indeed, it is the aim of enterprise to move from other positions in the matrix to this one. If they have weaknesses, they will strive to overcome them, making them strengths. If they face threats, they will cope with them so that they can focus on opportunities.

	Internal Strengths (S)	**Internal Weaknesses (W)**
External Opportunities (O)	SO "Maxi-Maxi Strategy"	WO "Mini-Maxi Strategy"
	Strategies that use strengths to maximize opportunities.	Strategies that minimize weaknesses by taking advantage of opportunities.
External Threats (T)	ST "Maxi-Mini Strategy" Strategies that use strengths to minimize threats.	WT "Mini-Mini Strategy" Strategies that minimize weaknesses and avoid threats.

Fig.1: TOWS Matrix for strategy formulation and TOWS Worksheet

Conferring an application of TOWS Matrix in field situation, one has to be perform two TOWS analysis of FPCs with the development of suitable strategic plans. For this, FPCs were selected based on their popularity as renowned and success in the state of Gujarat

The FPCs included are:

- Rajeshwar Farmer Producer Company Limited, Banaskantha, Gujarat
- South Gujarat Progressive Farmers Self Reliant Producer Company, Surat and Bharuch, Gujarat

Result

Farmer Producer Companies (FPCs)

Strengths: It comprises of the internal characteristics and resources that contribute to successful functioning of an organization.

S_1: Produce is directly marketed exempting the commission of middlemen leading to more share of producer in consumer rupee.

S_2: Economies of scale helps in developing greater bargaining power which fetches better price of produce, saves transportation and storage cost per unit and also procurement of inputs at reasonable prices.

S_3: FPCs coordinates with many agencies such as input dealers, wholesalers, line departments, NGOs etc for procurement, selling, advices and training.

S_4: The staffs of FPCs are from among the member farmers. Thus, they are considered more relative and trustworthy by member farmers. The staff is also well acquainted with issues of farmers resulting in passionate collective working for common goal of betterment of member farmers.

S_5: FPCs have well defined organization structures with clearly laid down roles and responsibilities. This develops accountability, transparency and trust in the system.

S_6: Participatory approach is followed in forming and maintenance of FPCs leading to greater involvement and interest of farmers in its activities.

S_7: Many agencies and institutes work for promoting FPOs like NABARD, SFAC, SAUs, ICAR institutes, other government organizations, NGOs, private companies etc.

S_8: The marketing strategies or business model of FPCs are formed considering the market requirement and cultivation of crop accordingly. FPCs also promote maintaining quality, grading of produce, proper packaging, etc to fetch highest price possible for produce.

S_9: Many FPCs have started its retail outlet through online and offline mode especially in case of perishable products such as fruits, vegetable and dairy like Sahyadri Farms, DevBhumi and many more.

Weaknesses: The internal characteristics of the FPOs hinder the successful functioning of the organization.

W_1: The staffs of FPCs are among the farmers and they are not professionals. This leads to unprofessionalism and lack of efficient management of company.

W_2: FPCs generally suffer from lack of proper infrastructure in the form of poor storage facilities, transportation system, procurement units etc. The licensing procedure of FPCs is also very cumbersome.

W_3: Generally, FPCs are not able to fulfill the credit criterion in terms of proper documentation and their financial performance.

W_4: Lack of self realization among farmers for their ownership of FPCs results in their low participation

W_5: Poor networking and negotiation limits the expansion and profit of FPCs Generally, FPCs are commodity and area specific. Thus it limits access of FPCs in market competition.

W_6: Products are generally perishable and require good infrastructure facilities for storage and transportation

Opportunities: They are the external factors that an organization can use to give itself a competitive advantage over its peers. Opportunities create the favourable environment or reduce the obstacles in functioning of an organization to have an edge over its competitors.

O_1: Presently, the numbers of FPCs are very limited. Therefore, there is great scope for formation and expansion of FPCs throughout the country.

O_2: Inclusions of more than one commodity for marketing through single FPCs diversify its marketing strength.

O_3: Including post harvest processing and value addition by FPCs increases the profit per produce and leads to benefit of vertical market integration.

O_4: Branding of FPCs can lead to agri-startups for direct selling to consumers.

O_5: Contract farming for value addition industries or future selling through agencies such as NCDEX protects from price fluctuations.

O_6: Various institutes such as NABARD, SFAC, DAY-NRLM, Central Govt., line departments etc are working to promote and support FPCs.

O_7: Government policies in the form of National Policy for the Promotion of FPOs and Central Sector Scheme of Formation and Promotion of 10,000 FPOs.

O_8: Financial assistance through NABARD, SFAC, Regional Rural Banks and other banks at state and district level collectively works.

O_9: Training Programmes are regularly conducted for training farmers and extension personnel for formation and working of FPCs. Institutes like MANAGE, EEIs, NAARM, SAUs, KVKs and other promoting agencies organizes such trainings.

O_{10}: Public infrastructure facilities and hiring centers helps FPOs in formation stage to sustain and flourish.

Threats: They are the external factors that have the potential to harm an organization.

T_1: Formation of FPCs are given at most importance but after a time period it need to sustain on its own without assistance from outside agencies, which is a biggest challenge for FPCs sustainability.

T_2: Competition from private agencies.

T_3: Rotation of power need to maintain among the leaders of FPCs to avoid dominance of few.

T_4: No provision of insurance against loss due to FPOs

T_5: There are several challenges at the policy level due to which FPOs are unable to reap benefits due to lack of information asymmetry and understanding.

SO Analysis

S_1O_3: Direct marketing provides control to FPCs over vertical integration which if integrated results in increased profit margin.

S_1O_4: Brand naming the produce with direct selling provides assurance to consumer over quality and standards of product.

S_2O_5: Economies of scale provides better bargain for contract farming and future trading.

S_3O_6: FPCs coordinates with many agencies which in turn promote and support FPC formation and working.

S_6O_1: Participatory approach of FPCs motivates farmers to join it. Therefore, it promotes FPCs formation and expansion over time and space.

ST Analysis

S_1T_2: Direct marketing exempts commission which gives advantage to FPCs to sell their produce at a lower price compared to their private counterparts with better profits.

S_5T_1: The well defined organizational structure of FPCs helps in its smooth functioning and long time sustainability.

S_8T_2:The marketing strategies of FPCs promote maintaining quality, grading of produce, proper packaging, etc which gives it strength against private competition of market.

WO Analysis

W_1O_9: The staff of FPCs should be regularly trained for its structure and function through various organization like MANAGE, EEIs, NAARM, SAUs, KVKs and other promoting agencies

W_2O_6: FPO promoting agencies always helps the farmers with technical and financial advices to acquaint with proper infrastructure and documentation work

W_3O_8:The credit guarantee scheme for FPOs and support from financing institutes with easier procedure can help FPCs in availing timely and sufficient credit.

W_5O_9: Training programmes are organized for farmers to understand their role in FPOs and develop self responsibility towards it.

W_5O_2: Diversification of produce helps in expansion of market.

W_5O_4: Raising the quality of single product and providing it a brand name in consumer market can help in building reputation for product and increasing its selling price.

W_6O_{10}: Public warehouses and hired cold chain transportation increases place and time utility of produce

WT Analysis

W_1T_1: As soon as the external support of promoting agency is retrieved, the FPCs staffs are not able to manage the functioning due to lack of professional expertise

W_2T_2: FPCs are not able to compete with private companies in market due to poor infrastructure facilities, limited credit and disaggregated produce.

W_4T_3:Concentration of power of FPCs in the hands of few influential farmers leads to disinterest and futility among member farmers.

	External Opportunities (O)	External Threats (T)
	• Future trading • Branding • Supported by IFFCO	• Less water availability • Competition • Price fluctuations
Internal Strengths (S) • Direct selling • Procurement & Grading • Export	**SO Strategy** Direct selling to NCDEX or Export market fetches higher price than local market	**ST Strategy** Grading and cleaning increases its quality and profit margin
Internal Weaknesses (W) • Commodity specific • Lack of professional expertise • Credit	**WO Strategy** Public warehouses, collective transportation and credit support facilities of govt. can be availed.	**WT Strategy** No insurance policy against market loss

Fig.2:TOWS Matrix for Rajeshwar Farmer Producer Company Limited

	External Opportunities (O)	External Threats (T)
	• Tie up with Ambuja Exports • Supported by Reliance Foundation • Future Trading	• Policy • Price fluctuations • Power concentration
Internal Strengths (S) • Graded Products • Directly to millers • Diversified products	**SO Strategy** Purchase of feed for cattle and selling of produce through economies of scale	**ST Strategy** Diversified product gives more selling option against price fluctuation and regular rotation of power
Internal Weaknesses (W) • Lack of professional expertise • Infrastructure facilities	**WO Strategy** Training and collective hiring through supporting organizations should be availed	**WT Strategy** Lack of awareness about present support and working of FPCs becomes a challenge

Fig. 3: TOWS Matrix for South Gujarat Progressive Farmers Self Reliant Producer Company

Conclusion

Self help is the principle of FPC. The matrix revealed that the FPOs face many external threats in form such as private companies, lack of risk mitigation procedure, policy changes, influential interference were major.They have many opportunities waiting in form of huge untapped potential, credit support, trainings, future market, government schemes, value addition, retailing supporting institutions which can be easily availed. The low level of participation, poor infrastructure needed for value addition and processing, lack of professional expertise were their weaknesses need to be overcome for harnessing the opportunities.

The strategies in the form of vertical integration, quality improvement, marketing in collectivism, developing infrastructure facilities, training for professional expertise, availing new technologies, competing in retail market with benefit of direct selling can provide significant advantage to them. The individual TOWS analysis of FPCs revealed they vary with change in region and produce. They have had great scope in direct retailing of quality product with brand names. The FPCs not only provide its member monetary benefits but also increases their confidence in farming.

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