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A REVIEW:

Status of farmer producer companies in India

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SUMMARY : In the more past, the concept of Farmer Producer Organizations (FPOs) has emerged as a solution to address the challenges faced by the Small and Marginal Farmers. The base reason for setoff the farmer producer companies noted by various policy papers and research papers were presented in the study. The study utilized secondary data retrieved from SFAC websites, Elseiver scoupus, scienceDirect and EBSCO and analysed. The moving trend of farmer producer companies was explored, while the challenges are what hindering the farmers to go beyond production were reviewed and presented in the paper.

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BACKGROUND AND OBJECTIVES

In India about 80% of the farmers were small and marginal farmers whose income is less than their consumption expenditure due to subsequent drought and monsoon failure and failure of crops and other constraints were no market information, high transaction costs, no access to credits and some have high indebtness by that unable to increase their scale of production (Gill, 2004; Mondal, 2010; Bhattacharjee, 2010; Khanna and Ghatak, 2014).

At the backdrop of these small holders problem, a renewed interest was created in Farmer producer organisation. In 2008 World Bank come up with project to alleviate in rural, not only the international strategy but also the GOI in 11th Five year plan come up with a plan to indicate rural poverty through this kind of initiatives (FAO-ILO, 2014).

Since Indian government supports private enterprises in agricultural. This FPC is said to be a most economically viable option for farmers to transformation agricultural into a new profit oriented company. However, there are a number of challenges that threaten this livelihood source.

Producer companies :

On the recommendations of an expert panel led by Y.K. Alagh, Centre had amended the Indian Companies Act, 1956, in 2002-03 to provide for "producer companies". A Farmer Producer Company is a hybrid between cooperative societies and private limited companies. A producer organization is an association, a society, a cooperative, a union, a federation, or even a firm that has been established to promote the interests of farmers (SFAC guideliness).

Currently the total number of FPC's registered in India was 422 (SFAC data). Any farmer who has 1-4 acres of land or more than that can enroll themselves as a member cum shareholder of any producer company. The geographic spread of the member base is limited to 2 Gram Panchayats, a cluster with a radius of 15 km. The number of directors depends on the membership of the company, usually varies from 5 to 15. The cost of management in all the producer organizations is borne by the promoter or donor organizations or by the state government in the first few years (SFAC guideliness). In some of the early producer companies like IOFPCL and Vanilco, the managerial costs are borne by the producer company. The promoters usually take the position of trustees of the fixed assets and let the producer companies have the user's right over the assets (Nayak, 2014).

Background :

Earlier with increased political interference with strident role in cooperative elections and the obstinate behaviour of elected boards of many celebrated Gujarat dairy unions, lead to the bitter controversies about corruption and nepotism. A common aspect of all such behaviours is the board decisions not perceived to be in the best patronage interests of members. Hence these were the main reasons perceived for the failure of cooperatives in India which paved way for the birth of Farmer producer companies in India (Shah, 2016).

In the early 1970s and 1980s, the National Dairy Development Board (NDDB) played SFAC's role with dairy cooperatives, while the Industrial Finance Corporation of India (IFCI) played the same role with sugar co-ops. But both these clusters began generating cash early in their lives and most paid their term loans earlier than scheduled to reduce interest costs (and to evict funding agency nominees from their boards) because they had strong business models (NRCRL report, 2007).

Unlike dairy cooperatives this new generation of FPC is currently struggling across the country looking for government/donors to provide them with capital and facilities required for the growth.

Institutions intervention towards promoting FPC :

Small Farmer Agri-business Consortium (SFAC) became a catalyst for the formation of hundreds of FPCs, SFAC promoting FPCs through an Equity Grant Scheme to match member equity contribution 1:1 upto a limit of Rs. 10 lakh. In a separate Credit Guarantee Fund, the SFAC offering 85% guarantee for a bank loan of upto Rs. 1 crore to the FPC. Many FPCs were formed under the National Vegetable Cluster and National Accelerated Pulses Production Programme of the Government of India under which SFAC provided two-year management subsidy to NGOs for forming FPCs. It was as if the formation of FPCs itself was the beginning and end of the game. The National Bank for Agriculture and Rural Development (NABARD) too is likely to play some role through Producers' organization development fund for Producer's development and upliftment called Produce with a sum of Rs. 200 crore which utilized for building 2,000 producers organizations across the country (Mahajan, 2015). Also The Reserve Bank of India has put PCs under priority sector lending upto Rs. 5 crore per PC.

Smallholder farmers are faced with strong economic and other limitations. They are limited by difficult access to capital and bank loans, support services and agricultural inputs, they lack adequate technology and equipment, they have difficulties in delivering products of required quality and quantity. A special problem is the lack of adequate market information, knowledge and consulting. From the other hand, serious players in value chains (processors, wholesalers, retailers, exporters) request reliable producers – business partners that can respond to market requirements and deliver products at a reasonable price, in required quantity, delivery time and with required quality, consistently over a long period of time. They can find that smallholder farmers cannot respond to their requirements, striving to make contracts with bigger producers that can deliver large volumes and food quality standards (Birthal and Joshi, 2007 and Mangnus and Piters, 2010).

Wambugu *et al.* (2009) in their study empirically obtained results showed that raise several issues pertaining to small-scale farmers' integration to the commercial economy. Small holder agriculture is an important source of livelihood and household income. This study finds that social capital increases rural producer organizations' level of commercialization. Hence another major policy implication of these findings is that rural producer organizations have the capacity to reduce rural poverty by enhancing increased commercialization of the smallholders' production.

But even on that count, most FPCs remain fragile, a study of 24 FPCs by Singh and Singh (2013) is anything to go by. A spate of recent reviews and evaluations of producer companies has identified all manner of problems facing them. In sum, neither the ultra-liberal Mutually Aided Cooperative Societies Act, nor the Multi-State Co-operative Societies Act nor the producer company provision in the Companies Act 1956 has over the past 10 years given birth to a single farmer producer organisation of the quality and size of Amul or Bardoli Sugar Co-operative.

A study by Singbo *et al.* (2014) on estimated the technical and marketing inefficiency of urban vegetable producers in Benin. The results indicated that producers are more inefficient in marketing (25 %) than in production (14 %). The truncated bootstrap regression of the determinants of the two inefficiency terms shows that soil fertility negatively affects technical inefficiency. Another important finding that emerges from our analysis is that producers using wholesaler and retailer marketing arrangements are more marketing efficient than those selling directly to consumers. The result also suggests that private extension service agents mainly focus on the worst-performing producers.

Shah (2016) in his article on Farmer producer companies expressed that Political interference increased with strident role in co-operative elections. Equally worrying is the obstinate behaviour of elected boards of many celebrated Gujarat dairy unions, leading to bitter controversies about corruption and nepotism. A common aspect of all such behaviours is the board decisions not perceived to be in the best patronage interests of members. Hence these were the main reasons perceived was the failure of cooperatives in India.

With recent reviews of FPCs, this study aimed at predicting the trend of FPC, while the challenges faced by established FPCs in the recent studies were reviewed and explored with the set objectives of below.

– To predict the trend of FPC establishment over the years.

– To review the Challenges faced in established FPC's.

RESOURCES AND METHODS

The data collected is secondary data. The survey utilizes SFAC website, Elsevier's Scopus, Google scholar, academia, EBSCO and ScienceDirect database as a source. An intensive survey of papers on Farmer Producer Companies in India published from 2011 to 2016 is then presented. The collected data were analysed using trend analysis, CAGR and conventional analysis.

OBSERVATIONS AND ANALYSIS

The results obtained from the present study as well as discussions have been summarized under following heads:

Trend of FPC over the year :

Trend is projected with the total number of Farmer producer companies registered since the amendment of Companies Act 2002-03, starting from 2004 to till 2016 presented in the below Fig 1.

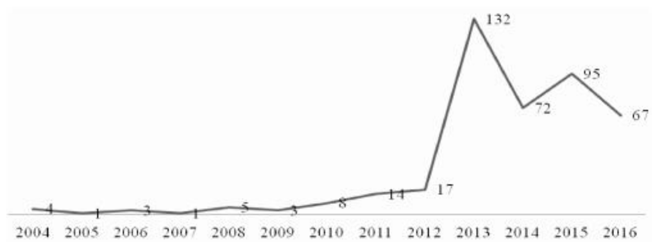

Fig. 1 : Total no. of FPC's registered over the years

Also the CAGR is estimated for this data to be at 31.1 %, which predicted that from 2004 to 2016 each year it was projected a positive growth of 31.1 %.

Fig. 1. shows that during 2004 to 2009 there was no growth, predicted with linear horizontal line. Taking a break at 2009, from 2010-2011 there has been an increasing interest in farming producer companies. Taking a break at 2012, there has been an upward rise in the trend line touching peak during 2013, the reason could be the union government funding of Rs. 10 lakh per FPO/ PC with a provision of Rs.50 crore and a credit guarantee fund for FPO's through the SFAC with allocation of Rs. 100 crore has been made.

Later it tend to decline from 2014-16. So this trend shows that there is an opportunity to increase in the number of FPC's in the near future due to government schemes on promoting this FPC's.

It is inferred from the Fig. 2, that FPC is highly distributed in the western region followed by southern, northern and eastern region which shows that farmers in the western region have more interest in farming PCs

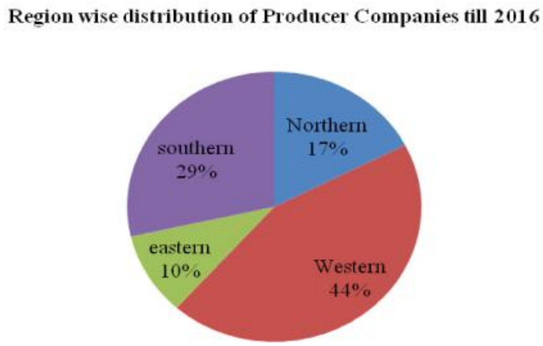

Fig. 2 : Region wise Distribution of Producer Companies

Note:
Northern:Delhi, Punjab, Rajasthan, UP, Haryana, J & K.
Eastern: Bihar, Jharkhand, Odisha.
Western:Chhattisgarh, Gujarat, MP, Maharashtra.
Southern:TN, Telangana, Karnataka

because the western region is cultivating more variety of crops like fruits and vegetables.

Conclusion :

At present the imminent need of FPCs were credit support from government institutions and other private agencies, management skills, and other resources for further growth. If the knowledge and awareness on management practices, marketing skills and strategic decision are taught to farmers, the better will be the sustainable management of producer companies. Strategic relationship with larger business companies should also be promoted for the better and more enduring will be the systems. Furthermore, the various issues and challenges at the grassroots level which perhaps debar growth of producer companies in India required better understanding. The future scope of research can be

Table 1 : To review the challenges faced in established FPC's

Author and Year	Title	Salient findings
NABCONS (2011)	Integration of Small Producers into Producer Companies-Status and Scope,	Lack of vision and direction from BoD Operational problems like low equity base due to low share value (share capital ranged from Rs. 1-5 lakh cross PCs) • poor marketing and value addition expertise • no or poor business plans which were needed for obtaining finance as well • poor skills of professionals of the PCs
Trebbin and Hassler (2012)	Farmers' producer companies in India: a new concept for collective action?	• The integrity and quality of the leadership, its acceptance within the community, as well as the market environment. • Poor or no market linkage and no knowledge about market information among farmers.
Venkattakumar and Sontakki (2012)	Producer Companies in India-Experiences and Implications	• Poor credit facility for working capital and investment. • The producer companies also face difficulties in getting Agricultural Produce Marketing Committee (APMC) licenses for processing and trading.
Sukhpal and Tarunvir (2013)	Producer Companies in India: A study of organization and performance	• A comparison of cooperatives and PCs in policy treatment in India shows that income tax exemption, non-taxable welfare income exemption, land lease at nominal rates or free, fertilizer allocation to PACS, foundation seed supply and marketing support to seed cooperatives, state agency grants to cooperatives, export incentives and provision of distribution outlets for selling products which is available to cooperatives is not available to PCs.
Desai and Joshi (2014)	Can Producer Associations Improve Rural Livelihoods? Evidence from Farmer Centres in India	• Impact of organising female farmers into producer associations in Gujarat- 18 months programme on training, information, access to inputs, risk mitigation, and market linkages got stronger impacts on members' awareness and utilisation of financial services. • Producer associations can lower transaction costs for smallholders, but that poverty alleviation may be a longer-term prospect.
Bikkina *et al.* (2015)	Farmer Producer Organizations as Farmer Collectives: A Case Study from India	• The Avirat model has not been successful in extending credit to its members due to unavailability of collateral free loans. • The weather insurance innovation at affordable premium by Avirat is aimed at saving disasters in the future.
Kaaria *et al.* (2016)	Rural women's participation in producer organizations: An analysis of the barriers that women face and strategies to foster equitable and effective participation	• The triple roles of women are a key constraint to women's access to producer organizations because of their time poverty. • more gender-inclusive producer organizations can bring to rural communities and families, multiple barriers still hinder the possibility for women to become members in their own right and access the services and benefits that these organizations can provide.

analysis of challenges faced at different phase of Producer Company and predicting sustainable business models of FPCs.

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