

RESEARCH ARTICLE

An overview of farmer producer organizations in the state of Andhra Pradesh – Business functional approach

■ Yanduri Prabhavathi, Siddayya, N. T. Krishna Kishore, S. Ganapathy and M. R. Girish

SUMMARY

Farmer producer organizations (FPOs) act as an effective mechanism in addressing the constraints of small and marginal land holders. However, FPOs vary in their characteristics, operations and functioning. The present study focuses on these aspects to understand the overall characteristics, business focus areas and constraints faced by FPOs in the state of Andhra Pradesh. Majority of FPOs in the study area were registered under companies act and had governing body members ranged between 5 to 15. The member farmers of FPOs had share capital ranged between Rs. 500 to Rs. 2000. Around 80% of FPOs were performing business operations pertained to input procurement and selling, particularly dealing with fertilizers. Difficulty in carrying out market operations and fund mobilization were identified as major constraints by the FPOs.

Key Words : Farmer producer organizations, Governing body, Input selling, Market operations, Constraints

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Indian agriculture is a home for small and marginal land holders with an average land holding size of 1.08 hectares (Agriculture Census Report, GoI, 2020). Due to these small holdings, the farmers are confronted with several challenges such as accessibility to inputs, markets, credit etc. Collectivization of farmers into producer organizations act as an effective mechanism in addressing the small holder problems (Trebbin and Hassler, 2012 and Vadivelu and Kiran, 2013). Producer organisations (POs) are legal entities formed by primary producers like farmers (agriculture, horticulture, dairy, animal

husbandry, apiary, fisheries etc), weavers, rural artisans and craftsmen. If the members of the producer organisation are farmers, then the PO is called as farmer producer organization (FPO) (NABARD, 2015-16). The FPOs get registered either under respective state cooperatives society acts or 'Multi-State Cooperative Society Act', 2002 or 'Society Registration Act', 1860 or 'Indian Trusts Act' 1882 or 'Indian Company Act', 1956 (amended in 2013). However, the POs registered under cooperatives and companies act have the legal provisions of sharing profits among its members while other forms constitute non-profit institutions.

Government of India has taken several policy initiatives for promotion of FPOs in India since 2003 (GIZ, 2019). SFAC and NABARD are majorly supporting FPOs since 2011 through their empanelled network of promoting institutions. The activities of promoting agencies are related to FPO formation, extending hand holding support in terms of registration process, book keeping, timely meeting of statutory and legal compliances, business assistance through establishing forward and backward linkages, capacity building etc. The implementing or supporting agencies extend financial support (grants, subsidies, working capital and term loans) either directly to FPOs or through promoting agencies at different stages of their life cycle. Thus, with the assistance of promoting and supporting agencies, FPOs mobilize members, form a governing body and perform various business operations. However, the governing body constitution, legal structure, membership base of farmers, type of businesses performed, constraints faced by FPOs vary across FPOs and across various geographical regions. In this context, the present study is taken upto understand the general profile characteristics of FPOs, identify the type of businesses being performed and constraints faced by FPOs while performing business operations.

MATERIAL AND METHODS

Four districts namely Chittoor, Kurnool, Guntur and SPSR Nellore of Andhra Pradesh state were purposively identified for the study due to prominent number of FPOs operating in these districts. The list of functional FPOs in these districts were obtained from resource supporting agencies of NABARD and State horticulture department. From the list, a separate list of those FPOs that were in operation since 2018 was prepared for each district. From the list, randomly four FPOs were selected from

Kurnool, Chittoor and SPSR Nellore districts and three FPOs from Guntur district. Thus, the total sample size of FPOs accounted to 15. The selection of FPOs from each identified district is based on proportion of total FPOs in the respective district. To attain the study objectives, primary data was obtained from the FPO governing body and CEOs/managers of each FPO. Group discussions was provoked among the managerial team members of each FPO to identify the challenges faced by each FPO. The data obtained was analyzed using percentage analysis and Garette ranking method.

Garette ranking method :

$$\text{Per cent position} = 100 \left(\frac{R_{ij} - 0.5}{N_j} \right)$$

where,

R_{ij} : Rank given for the i^{th} variable by j^{th} respondent

N_j : Number of variables ranked by j^{th} respondent

RESULTS AND DISCUSSION

The results obtained from the present investigation as well as relevant discussion have been summarized under following heads :

Profile characteristics of sample FPOs in the study area :

The profile characteristics of FPOs (Table 1) provides an overview of FPO features such as its area of operation, legal structure, governing body constitution, membership base, share capital, nature of business activity and the promoting and supporting agencies involved in FPO formation etc. Out of fifteen sample FPOs, four FPOs namely KMACS, PALFPC, MRFPC and SAMACS were located in Chittoor district, another four *viz.*, SNRFPC, SCMACS, YKFPC and MBFPC belonged to Kurnool district, the other four FPOs *viz.*, PYKFPC, AHMACS, PSMACS and DPPFPC located in SPSR Nellore district and the remaining three FPOs namely PFFPC, NVFPC and SAFPC belonged to Guntur district. Ten out of fifteen FPOs were registered as producer companies while the remaining five registered as cooperative societies. The board of management is the governing body of FPO. The representatives of the board (board of directors- BODs) are elected by the member farmers of FPO to ensure that FPO works for its members. The FPOs that were producer companies and cooperative societies had BODs ranged between five to ten and five to fifteen, respectively, with women

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Table 1 : Profile characteristics of sample FPOs

Sr. No.	Name of the FPO	FPO code	Location (District)	Legal structure	Year of establishment	Total no: of BOD	Women representation in BOD	Total member ship as on 31.03.2022	Share capital fixed per each member (Rs.)	Par value per share (Rs.)	Promoting and facilitating agency (POPI/RI/CBBO)	Implementing and supporting agency
1.	Amruthapani horticulture farmer producer organization	AHMACS	Nellore	Cooperative Society	26.12.2019	5	2	600	1000	100	KPL MACTS	NABARD
2.	Duttaluru prgagathi pulses producer company Ltd	DPPFPC	Nellore	Producer Company	01.09.2016	5	1	258	500	10	CCD	NABARD
3.	Kalikiri APMACS Ltd	KMACS	Chittoor	Cooperative Society	22.08.2019	12	4	528	1500	100	APMAS	1.Dept of Horticulture 2. APMAS
4.	Mahanandi banana farmers producer company Ltd	MBFPC	Kurnool	Producer Company	05.05.2017	9	3	500	1000	10	Ramki Foundation	NABARD
5.	Maryada Ramanna Patnam farmers producer company Ltd	MRFPC	Chittoor	Producer Company	05.01.2018	7	3	1360	1000	100	APMAS	1.Dept of Horticulture 2. APMAS
6.	Narakoduru vegetable farmers producers company Ltd	NVFPC	Guntur	Producer Company	30.12.2019	6	1	500	1000	100	NILAGIRI Foundation	NABARD
7.	Palamaner farmer producer company Ltd	PALFPC	Chittoor	Producer Company	26.12.2016	10	2	680	1000	100	Palamaneru MVRS	NABARD
8.	Parimala flower producer company Ltd	PFPC	Guntur	Producer Company	03.05.2016	6	1	760	1000	100	SEARCH	NABARD
9.	Pragathi Yuva Kendram Farmers Producers Company Ltd	PYKFPC	Nellore	Producer Company	25.07.2016	5	1	1559	1000	10	KPL MACTS	NABARD
10.	Rythu Swaraj Horticulture Farmer Producer Organization	RSMACS	Nellore	Cooperative Society	10.02.2020	5	5	579	1000	100	KPL MACTS	NABARD
11.	Sehamitha Agri Producers Company Ltd	SAFPC	Guntur	Producer Company	10.11.2015	5	1	2153	1000	100	NILAGIRI Foundation	NABARD
12.	Sri Annamaya Raithu Mutually Aided Cooperative Society Ltd	SAMACS	Chittoor	Cooperative Society	01.08.2017	15	2	650	2000	100	SELF	1.Dept of Horticulture 2. APMAS
13.	Sri Lakshmi Chenna Kesava Swamy Women Farmer Producers MACS Ltd	SCMACS	Kurnool	Cooperative Society	04.10.2019	12	12	320	1500	100	APMAS	1. Dept of Horticulture 2. APMAS
14.	Sri Nalla Reddy Swamy FPC Ltd	SNRFPC	Kurnool	Producer Company	24.05.2019	9	2	544	1500	100	APMAS	1.Dept of Horticulture 2. APMAS
15.	Y Khanapuram Farmers Producer Company Ltd	YKFPC	Kurnool	Producer Company	02.05.2016	10	2	607	1000	10	APARD	NABARD

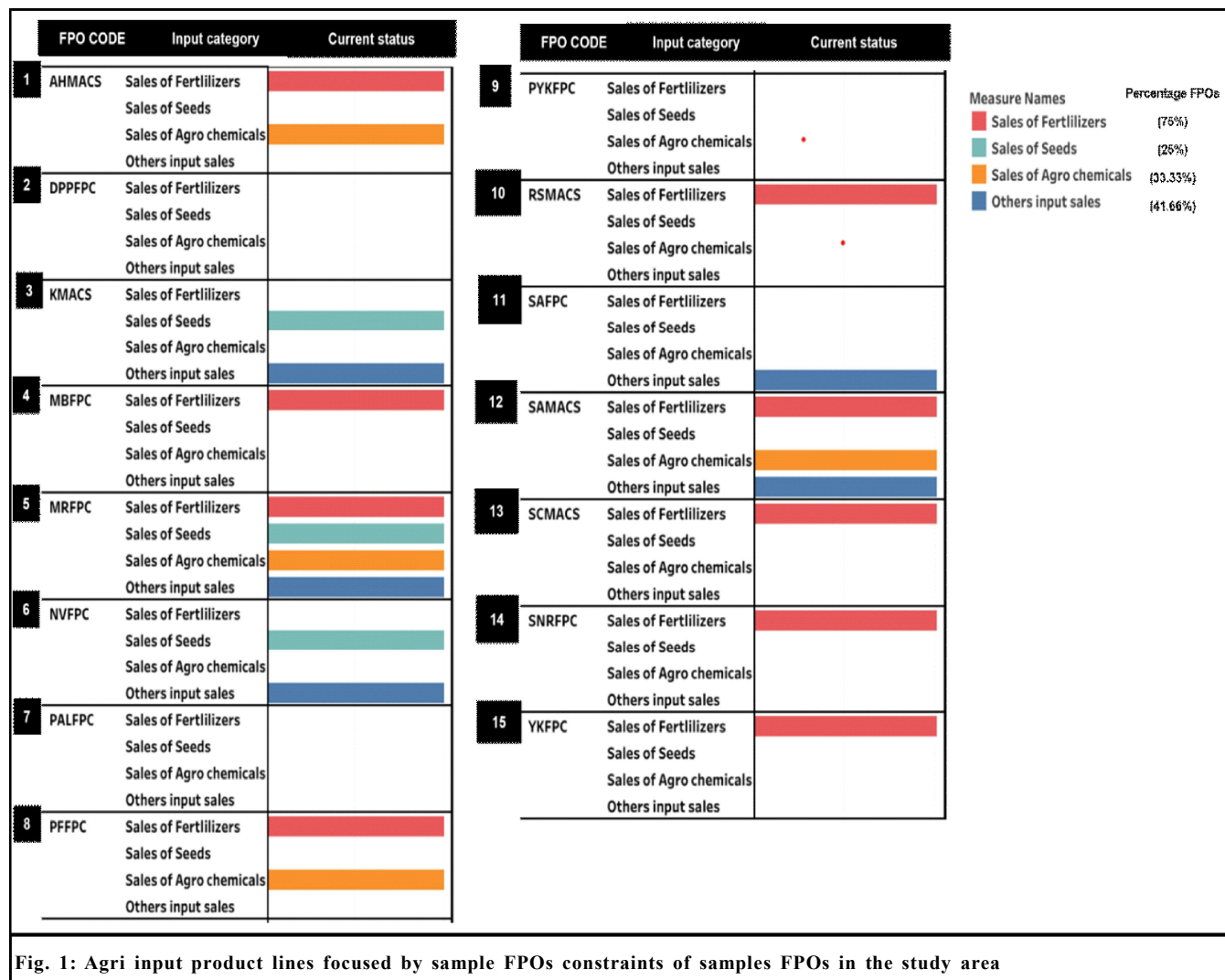


Fig. 1: Agri input product lines focused by sample FPOs constraints of samples FPOs in the study area

directors on their board.

The primary producers (farmers) contribute to share capital through purchase of shares and become the shareholders of FPO. Every FPO shall fix not only the book value (par value) of each share but also the fixes the minimum amount of share capital for becoming shareholders. The minimum share capital fixed per farmer for becoming the shareholder of the FPOs ranged between rupees five hundred (Rs. 500) to rupees two thousand (Rs. 2000) and the book value of each share fixed was either ten or hundred rupees. The promoting agencies involved in FPOs promotion in the study area were APMAS, APARD, PALAMANERU MVRS, NILAGIRI foundation, SEARCH, CCD and RAMKI foundation.

The major supporting agencies that were extending financial support to FPOs for undertaking business

activities in the study area were NABARD (grants, working capital and term loans), state horticulture department (grants and subsidies) and APMAS through support from national and international developmental agencies. The business activities of sample FPOs include selling of agricultural inputs, collective marketing of agricultural and horticultural commodities. Other value-added business activities that were taken up by some of the sample FPOs include sorting, grading, secondary processing, branding and retailing.

Business focus of sample FPOs on various agri input product lines :

As majority of sample FPOs were performing business operations pertained to selling of agricultural inputs, the primary data pertaining to type of agricultural input purchases and sales made by FPOs were obtained

Table 2: Constraints of samples FPOs (Garrett ranking method)

Constraints	Total score	Average score	Rank
Difficulty in carrying farm output related business operations	1077	71.80	1
Fund mobilization	993	66.20	2
Difficulty in carrying farm input related business operations	839	55.93	3
Obtaining licenses for doing business	765	51.00	4
Farmer member mobilization	697	46.47	5
Complying regulatory requirements	659	43.93	6
Difficulty in arriving at common concerns among member farmers	624	41.60	7
Frequent change of CEO and supporting staff	391	26.07	8

from FPOs to identify the type of agri input product lines majorly focused by the FPOs and the results are shown in Fig 1. Out of total FPOs, around 80 per cent of sample FPOs were undertaking operations related to sale of agricultural inputs while another 20 per cent were not carrying out these operations. Among the FPOs undertaking agri input businesses, 75 per cent were into procurement and selling of fertilizers, 25 per cent into seed business, 33.33 per cent were selling agro chemicals and 41.66 per cent selling other agricultural inputs such as cattle feed, organic manures, multipurpose small agricultural equipment's, pheromone traps, fruit protection bags.

Constraints of samples FPOs in the study area :

Garrett ranking method was used to identify the constraints faced by each FPO based on their severity and the results are shown in Table 2. Difficulty in carrying out market operations of the farm produce followed by pooling of financial resources needed to handle business operations were identified as top two major constraints faced by FPOs in the study area. As a consequence, FPOs were procuring limited portion of marketable surplus of farm produce and facing difficulties in handling huge voluminous market operations. The third constraint identified was carrying out farm input related business operations due to difficulty in handling large volumes and selling products on cash basis unlike private agri input dealers, selling inputs both on cash and credit basis based on farmer requirement. Difficulty in obtaining licenses was identified as fourth major constraint, due to inherent issues like loop holes in the process of obtaining licenses, such as corruption, existing cartels among agri inputs stakeholders and among marketing middle men. The fifth constraint identified was member mobilization. This phenomenon is observed in few FPOs as members viewing FPOs as government projects and hence, not

willing to join in some cases while in other areas, they were unaware of the services of FPOs.

Complying of regulatory requirements was not identified as a major challenge by FPOs, as legal and statutory compliances were taken care by promoting organizations and hence, the BODs were not much aware of them. The FPOs were not facing much difficulty in arriving at common concerns among member farmers during meetings and hence, ranked as seventh constraint. Frequent change of CEO and supporting staff was identified a minor constraint by the respondents. The results are in line with Navaneetham *et al.* (2019), Govil *et al.* (2020) and Shree and Vaishnavi (2022) who in their studies reported that difficulty in pooling financial resources, obtaining licenses, meeting regulatory compliances, carrying market operations and member mobilization were identified as constraints faced by FPOs at various geographical regions of India.

Conclusion:

Farmer producer organizations (FPOs) are a type of farmer collectivization models formed to address the challenges of small holders in India. However, FPOs vary in their characteristics, operations and functioning. The present study focuses on these aspects to outline the general profile characteristics, business focus areas and constraints faced by FPOs in the state of Andhra Pradesh. Around 66 % of sample FPOs were registered under companies act. The number of board of directors of FPOs ranged between 5 to 15 and all the sample FPOs had women directors on their board. The share capital of FPOs member farmers ranged between Rs. 500 to Rs. 2000. NABARD, state horticulture department (GoAP) and APMAS were majorly extending financial support to sample FPOs for undertaking business operations. 80 per cent of sample FPOs were performing business operations pertained to sale of agri inputs.

Among the agri inputs, 75 % were into procurement and selling of fertilizers followed by 41.66 % selling other inputs such as cattle feed, agricultural implements. Difficulty in carrying out market operations of the farm produce followed by fund mobilization needed to handle business operations were identified as two major constraints being faced by FPOs.

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