

Farmer Producer Organisation - A Boon for Small and Marginal farmers (with special reference to Thiruvarur District of Tamil Nadu)

Velmurugan P.S.¹, Gagana D. S.²

¹ Dean, School of Commerce and Business Management,

Central University of Tamil Nadu, Thiruvarur – 610005

velmuruganps@yahoo.com

² Research Scholar, Department of Commerce, Central University of Tamil Nadu

Abstract - Farmer Producer Organisations (FPOs), a legal entity formed by primary producers, is creating revolutionary change in the agriculture primary sector. It is an organisation which mobilizes the producer of similar commodities from different location, build capacity for leverage production and strengthening their marketing. The effectiveness and awareness about FPOs is expected to resolve the problems of farmers. The main objective of this paper is to examine how the problems of small and marginal farmers can be set-off by forming FPOs. The paper is empirical in nature and the data source includes both primary i.e., collected from 30 primary producers through in-depth interview schedule for 2-week duration and secondary data for the period of past 10 years. The statistical tools used for analysis was percentage, mean and correlation. There are only three FPOs registered under Companies Act in Thiruvarur district, which is a place known for paddy cultivation. The major findings show that schemes introduced by central and state governments for small and marginal farmers were not sufficient to reduce farmer's distress, whereas, it is found that farmer issues can be resolved through FPOs and creating financial literacy by using new technological advancement. The paper concludes that mobilization of farmers to form FPOs will uplift their profitability from agriculture.

Key Words: Farmer Producer Organisation, NABARD, SFAC

1.INTRODUCTION

Agricultural sector is contributing 15.4 percent to India's GDP despite providing employment opportunity for 50 percent of India's population. (MoS&PI, 2019) The total

workforce engaged in agricultural sector is estimated to fall 25.7 percent by 2050 from 58.2 percent which prevailed during 2001. (ESoA, 2018) The risk associated with farming is prevailing for decades because Indian agriculture is basically labour intensive and due to traditional method of farming followed by debt finance. Chief Economic Advisor (Subramanian, 2018), said that in order to overcome this, "There is a need to enhance the level of farm mechanization in the country. Due to intensive involvement of labour in different farm operations, the cost of production of many crops is quite high".

FPO is an organisation formed legally by primary producers (farmers, milk producers, artisans, etc.) with a prime motive of achieving the economies of scale along with profit motive. It will be in legal form of Autonomy/Mutually aided Cooperative Societies or Producer Company u/s 581(C) and Sec. 25 of Indian Companies Act, 1956 as amended in 2013 (NABARD, 2015). Small and marginal farmers form the major portion of farmers in Tamil Nadu and this sector is quite prone to distress. Marginal farmers are those cultivating up to 1 hectare (2.5 acres) land and Small farmers are those cultivators more than 1 hectare but less than 2 hectares (5 acres) (RBI, 2008). The land holding pattern of farmers in Thiruvarur district also shows that the Thiruvarur semi-medium, small and marginal farmers, as shown in Table 1 below.

The data collected from government website reveals that marginal and small farmers in Thiruvarur District

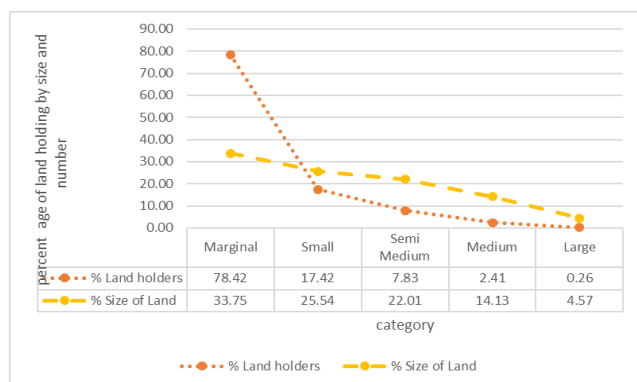
collectively accounts highest number i.e.,151304., and on an average the large farmers hold 17.07 hectares of land.

Table 1 Land Holding Pattern of Farmers according to size of Holding in Thiruvavur district

Sl. No	Category	Nos of land holders	Area of land holding
1	Marginal	123803	51195
2	Small	27501	38748
3	Semi Medium	12361	33396
4	Medium	3807	21434
5	Large	406	6929
Total		157879	151702

Source: (Agriculture Department, 2008)

Note: Area in table is represented in hectares. 1 hectares = 2.5 acres



Sources: Authors Calculation

Figure 1: Graphical representation of percentage of land holding and number of holders according to category

FPOs is an appropriate institutional form which binds the farmers from different location to mobilize and build capacity to collectively leverage their production and marketing strength. Their natural resources in the form of asset i.e., land, labour, organic raw materials along with advanced technology can be utilised in sustainable manner for achieving cost efficiency and realize higher returns for their produce. The integration of farming skill, expertise, exploring and forecasting, market for making reasonable profit etc. by FPOs, is expected to increase the share of agriculture in India's GDP in the near future.

1.2 Government Initiative

The Central and State Government institutions are playing important role in development of FPOs. Small Farmers' Agribusiness Consortium (SFAC) is an agency under the Department of Agriculture and Cooperation (DAC), Ministry of Agriculture, Govt. of India. SFAC is providing support in the area of technical upgradation, research expertise, financial assistance through institution, and E-marketing. DAC treats FPOs as an enabling body under the Minimum Support Price (MSP) procurement operation for various crops. Similarly, National Bank for Agricultural Rural Development (NABARD) and other financial institutions are also supporting FPOs with short and medium financial needs.

Involvement of educated farmers into cultivation may help in reducing the risk in agriculture such as procurement of agri-inputs (sampling crops, fertilizers, organic pesticides, etc.), mitigating monsoon risk through crop insurance, meeting the financial needs for various farming activities through government and other financial institutions, marketing through e-NAM which is a national level market platform for agricultural commodities.

Table 2 State and Union Territory wise list of FPOs existing in India

Sl. No.	State	Total No. of FPOs in India	Number of FPOs supported by SFAC
1.	Andaman and Nicobar	3	
2.	Andhra Pradesh	101	7
3.	Arunachal Pradesh	1	2
4.	Assam	39	12
5.	Bihar	105	27
6.	Chhattisgarh	57	26
7.	Delhi	4	4
8.	Goa	2	2
9.	Gujarat	115	20
10.	Haryana	50	23
11.	Himachal Pradesh	53	5
12.	Jammu and Kashmir	12	2
13.	Jharkhand	65	18
14.	Karnataka	187	119
15.	Kerala	106	

16.	Madhya Pradesh	160	143
17.	Maharashtra	118	99
18.	Manipur	5	4
19.	Meghalaya	9	3
20.	Mizoram	15	1
21.	Nagaland		2
22.	Odisha	100	41
23.	Punjab	67	7
24.	Rajasthan	143	40
25.	Sikkim	4	30
26.	Tamil Nadu	170	11
27.	Telangana	74	20
28.	Tripura	1	4
29.	Uttar Pradesh	115	35
30.	Uttarakhand	52	7
31.	West Bengal	150	79
Total		2083	793

Source: (NABARD, NABARD Portal on Farmer Producers' Organisation, 2019)

2. REVIEW OF LITERATURE

The studies were reviewed by distinguishing between foreign and Indian articles focusing on FPOs/farmer's groups, for understanding the existence of literature on farmers distress and FPOs.

(Anang, Backman, & Sipilainen, 2016) stated that farmers involved in cultivation in association with farmers' producer organisation were more efficient in rice production and also recorded highest degree of specialization. (Banaszak & Beckmann, 2010) examined the determinants of compliance with rules and imposing sanction in producer groups. The study found that the likelihood of selling without the permission of group will create negative impact on the price premium. (Matchaya, 2010) studied rural farmer should be informed about many potential benefits and costs incurred for participating in National Smallholder Farmers' Association of Malawi in Kasungu District.

(Gouet, Leeuwis, & Paassen, 2009) said Rural producer organisations should be equipped with capacities in process related dynamic innovation in value chain for overcoming social dilemmas. (Banaszak I. , 2008) observed that members' loyalty and commitment is the major drawback in

group functioning and suggested that there is a need for collective action at governance to hold the farmers within the group.

(Moran, Blunden, & Bradly, 1996) suggests that cooperatives and producer marketing boards must assist family farms in marketing, enhance profits and farmers should hold control on their industries.

(Kathiravan, Senthilkumar, & Kumar, 2017) conducted study among four FPOs in Namakkal district of Tamil Nadu. The bottlenecks faced by the members were analysed based on data showed lack of co-ordination for different group activities was ranked first constraint and non – availability of literature on FPOs activities was second constraint for the respondents. (Bikkina & Turaga , 2017) studied Amreli district of Gujarat as a case study by exploring their members experience related to FPOs and the benefits achieved through collective action. (Tagat & Tagat, 2016) mentioned that success of sustainable FPO is achievable only through capacity building and encouraging agencies to start-up new POs to undertake business operation.

(Choudhary, Kunwar, & Rasul, 2015) found that the farmer forming enterprise helped them to upgrade to current process through value chain system and thus increased resilience. (Singh, 2008) briefed on failure of traditional cooperative society to connect with small and marginal farmers to global market which has paved way for producer organisation.

The evaluation of current studies revealed that the awareness level and opinion about FPOs among farmers who were not members in FPOs was not studied. The farmers' dissatisfaction regarding farming requirements which can be set off by FPO is studied in this paper.

Objectives of the Study:

1. To understand the satisfaction level of farmers with respect to various farming requirements.
2. To assess the awareness level and opinion about FPO's among farmers in Thiruvavur district.

Methodology adopted for the study:

The data for the study was collected from 30 farmers holding a cultivational land. The area for the study was Thiruvarur district which is known for paddy cultivation in Tamil Nadu, data collected from respondent using in-depth interview schedule for two weeks using area sampling. Statistical tools used for analysing the data was percentage, mean and correlation.

3. ANALYSIS OF DATA

The data collected is used for analyzing the land holding pattern in relationship with revenue generated per kg using the tool correlation.

Table 3 Correlations test for verifying the relationship between size of land holding and revenue generated

		Size of land holding under operation	Revenue generated from of crop per kg
Size of land holding under operation	Pearson Correlation	1	.856**
	Sig. (2-tailed)		.000
	N	30	30
Revenue generated from of crop per kg	Pearson Correlation	.856**	1
	Sig. (2-tailed)	.000	
	N	30	30

Source: primary data **. Correlation is significant at the 0.01 level (2-tailed).

The correlation is checked 0.01 significance level. The Pearson score is recorded at .856 and p value is .000 ($p < 0.05$). Hence, there is strong positive relationship (87 percent) between land holding pattern and revenue generated by farmers. That is the bargaining power of large farm holders is high compared to small and marginal farmers and the revenue generated is influenced by land holding pattern. The marginal farmer can achieve the higher revenue for their output, if the farm output is integrated by FPOs.

Table 4 Table representing the reason for joining farmer organisation eg.: Agricultural Cooperative Societies

Particulars	percent of respondents opinion for joining organisation	
	Yes	No
Marketing of Produce/selling	46.7	53.3
Quality inputs	63.3	36.7
Good market for the output	13.3	86.7
Obtain cattle and animal feed	23.3	76.7
Avail storage facility	23.3	76.7
Packing facility	10.0	90.0
Availing loan	86.0	14.0

Source: Primary data

From the table 4, it is found that the farmers join Agri-related organisations for procuring inputs (63.3 percent) and availing loan (86 percent). The packing, cattle feed and

selling to final consumers are least preferred because paddy is not processed by the farmers into rice which does not require neat packing. Further, maximum farmers were selling the produce to middlemen for realising immediate payment and Direct Purchase Centres which remit cash within 15 days of procurement. Whereas the cattle feed is not claimed in many cases due to lesser non-rearing of domestic animals in the region. During data collection, some of the respondents expressed that most of the cooperative societies were not functioning properly and internal politics played a major role in ruining its administration.

Table 5 Farmers' awareness on FPOs

		Farmers awareness about FPO		
Category		Yes	No	Total
Size of land holding	Small and Marginal Farmers	3	22	25
	percent	(12)	(88)	(100)
	Medium and large Farmers	2	3	5
percent		(40)	(60)	(100)
Total		5	25	30
Percent		16.66	83.33	100

Source: Primary data

The awareness level of FPOs among respondents in the study area is very low i.e., out of 30 respondents only 16.7 percent are aware about the concept of FPOs. The land holding pattern doesn't have any relationship with regard to awareness about FPOs among farmers. Though the perception about the FPOs among the farmers was positive there is lack of sufficient information about FPOs. This shows that there is a need for promoting awareness about the benefits available to farming community by joining as a member of FPO. Respective government department and Non-Government Organisation (NGO's) should take necessary initiatives in this regard.

Table 6 Satisfaction level of farmers regarding farming requirements

Sl. No	Farming Requirements	Mean Score	Opinion (*)
1.	Raw Material	3.44	Satisfied
2.	Price of Raw Material	2.60	Neither Satisfied nor Dissatisfied
3.	Availability of loan from financial institution	3.01	Satisfied
4.	Technical assistance like tractor and other machinery for cultivation availability	3.13	Satisfied
5.	Cost of hiring Technical machinery for cultivation	1.87	Dissatisfied

6.	Availability of storage facility (Warehouse)	2.93	Neither Satisfied nor dissatisfied
7.	Brokerage charges paid (Brokers)	2.27	Neither Satisfied nor Dissatisfied
8.	Receiving amount for output	2.37	Neither Satisfied nor Dissatisfied

Source: Primary data

*technique of assigning mean score; 0-1 Highly dissatisfied, 1-2 dissatisfied, 2-3 neutral, 3-4 satisfied, 4-5 highly dissatisfied

From Table 6 above, it can be observed that there are four areas where there is neutral satisfaction level i.e., price of raw material, storage facility, brokerage charge and payment recovery. The reason for neutral opinion was financial distress which forces farmer to sell their output at less price without holding till better price is available i.e., without holding goods in warehouse. Farmers are ready to sell to DPC or brokers to recover at least minimal profit level i.e., paddy bags consisting of 62 kgs which can be sold for Rs. 1050 is actually sold for Rs. 800 to brokers i.e., at a loss of Rs. 250 per bag. Farmers are pretty favourable response towards raw material availability, financial assistance and availability of technical assistance. The presence of private sector in these segments may be the reason for satisfaction level. The government supply of raw material may be cheaper but lack of timely availability. Whereas raw material from private suppliers and farming equipment is easily assessable. The dissatisfaction of farmers was towards the cost of hiring machinery for harvesting, which is very costly with respect to tractor. Whereas farmers expressed that government machinery is not maintained properly. The outcoming of this analysis shows that FPOs can assist the farmers in future with respect to processing selling raw material at cheaper cost, renting & maintaining farm equipment's at low cost, marketing support and value addition.

4. CONCLUSION

In this paper, an attempt is made to study the opinion of farmers in Thiruvavur region of Tamil Nadu on their present status of farming activity. The study revealed

that most of the farmers in the region are marginal and small farmers. For them, there is a mixed response on their satisfaction level on various farmer related activities. Though, this shows that the new concept of FPOs can mitigate their risk and transform farming activity into a profitable source of income, from the analysis of the awareness level of FPOs among farmer, there is a negative response from farmers. These shows that they are not aware of the benefit of FPOs and at the same time they have a positive perception towards FPO. Hence, it can be concluded that there is scope for government and NGOs to scale up awareness programs on FPOs; among the farmers of Thiruvavur region.

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