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Farmer Producer Companies, The Actual Facilitator for Farmers: A Case Study

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Abstract: *India is home to 30 per cent of the total organic producers in the world, but accounts for just 2.59 per cent (1.5 million hectares) of the total organic cultivation area of 57.8 million hectares, according to the World of Organic Agriculture 2018 report. India being an agro based country cannot but take along with its stride even the small farmers. Reports point that non-farm prices have been raising at a faster rate than farm prices. Farm incomes cannot be squeezed indefinitely to keep inflation under check and vice versa. Farmers have to be heard and certain organizations have to take responsibilities to create equal space for them. This study tries to understand that to overcome such situations why need of the hour is farmer producer companies.*

Keyword: Farmer, producer, development, economy.

1. INTRODUCTION

The success of Sahyadri Farms, the farmer producer company (FPC) located in Mohadi village near Nashik in Maharashtra, in 2011, has grown to become the largest farmer producer country in the country, with a membership of 8,000 farmers and a turnover of Rs 300 crore. This story once again reverberate what NitiAayog member Ramesh Chand said, "The prediction of western economists that small farms will eventually cease to exist as big farmers will buy their land, did not come true in Asia. We will have to live with the fact of small and marginal farming and try to make it more viable." The Indian business scenario changed drastically when the government privatized many state enterprises and lowered its involvement in the Indian markets as demanded by the International Monetary Fund(IMF) and the World Trade Organization (WTO). Though small farms did not cease to exist, it did not get a platform either to have a fair raise. The sudden increase in competition and change in economy almost left the small farms nowhere. Long after that the scenario has not changed much. The National Herald had reported, dated 20 Dec 2018 that Narendra Modi-led government has been tirelessly claiming that it would double farmers' income by 2022but with no physical output. Indian agriculture sector accounts for 18 per cent of India's gross domestic product (GDP) and provides employment to 50% of the countries workforce. From this statistics, India being an agricultural based country, responsibility has to be owned if we need to further their growth and demand. Trebbin and Hassler has very rightly remarked that "in this environment of greater instability and competition, organization and collective action can help to enhance farmers' competitiveness and increase their advantage in emerging market opportunities." The need of the hour is farmer producer companies. In the Companies Act, 1956, a provision for setting up Farmer Producer Companies (FPO) was made in 2003 by an amendment to the Act. According to the National Bank for Agriculture and Rural Development (Nabard), a producer company is a hybrid between a private limited company and a cooperative society. Therefore, FPOs can fully avail the advantages of co-operative society as suggested by its objectives which are:

- To provide support and services to the members of the society and not to earn the profit
- To help each other mutually and not to have competition
- To practice fair and transparent business activities
- To deliver the quality goods and produce to the end customers

On the other hand the benefits of a private limited company like

- Separate Legal Entity.
- Uninterrupted existence
- Limited Liability

- Free & Easy transferability of shares
- Owning Property
- Capacity to sue and be sued
- Dual Relationship
- Borrowing Capacity

The preamble of the national policy for promotion of farmer-producer organisations said: "Department of agriculture and cooperation, ministry of agriculture, Govt. of India has identified farmer producer organisation registered under the special provisions of the Companies Act 1956 as the most appropriate institutional form around which to mobilise farmers and build their capacity to collectively leverage their production and marketing strength."Despite efforts by the government over the past 15 years or so, including major financial help, the country has just about 3,000 FPCs so far, set up by Nabard, Small Farmers' Agri-business Consortium or individual initiatives, as reported by ET in the article "How farmer producer company model can transform Indian agriculture," on Sep 29, 2018.

2. LITERATURE REVIEW

While reviewing certain literature with reference to farmer producer organizations and their activities, those which are found to be coherent with the research paper have been highlighted in the following paragraphs.

Literature show that with regard to developing countries there is a demand for farmer organizations to engage in the improvement of market performance and to create an `entrepre-neurial culture' in rural communities, because impeded access to markets is viewed as one ofthe major factors preventing smallholder farmers from prospering in the global economy.

Also in view of the various problems facing Indian farmers and agriculture as a whole (such as sluggish growth, stagnating productivity, ecological degradation of the production base, and climate change), there is a need not only to improve the situation through technology-driven solutions but also through institutional reforms.

Studies indicate that when the produce (such as high-value vegetables) is characterized by high transaction costs associated with market access, the benefits for farmer organizations are more evident.

Studies have depicted that Producers companies, which is a variant of traditional cooperatives, are emerging indifferent parts of the country. They retain the basic characteristic of the cooperatives, namely, "one member one vote," but the membership is restricted to the producers and they give greater emphasis to professional management.

The Government of India, as a matter of policy considers Producers Company as the most appropriate institutional form around which farmers must build their capacity to collectively leverage their production and marketing strength.

To provide further impetus to the farmers collective, government mooted the idea of making the collectives think and behave like business entities by getting incorporated as Producers' Companies under the Companies Act of 1956 (amended in 2002).

Studies observe that producer companies need at least 8-10 years of hand holding and mentoring support from the promoters/facilitating agencies to become self-reliant in managing their own affairs.

3. OBJECTIVES

To study the factors provided by FPO in bringing socio-economic development. Keeping this objective in mind, FPCs have been shortlisted within Sonitpur district and data has been compiled accordingly.

4. RESEARCH METHODOLOGY

The study tries to identify factors that analysed FPOs as present day necessity for all types of farmers because of the services provided by them. This led to literature review and the information so derived helped in forming the research base. After this, data was collected through survey and observation of work and activities in Satbhani Agro Producer Company Limited, Gingia, Biswanath Charali, Sonitpur, Assam. In the final round of the study factors identified through review of literature and survey were discussed and compared through discussion with the Chief Executive Officer of this FPC along with few other members.

5. BACKGROUND

In the following background, those areas are brought into focus that are of primary concern to FPOs gained from individual survey and from researches that had been conducted on similar areas before.These factors were selected on the basis of discussion with FPOs which are considered essential for success and sustainability by both management and members.

Department of Agriculture and Cooperation, Ministry of Agriculture, has provided the policy and process Guidelines for Farmer Producer Organisations. Producer Company is a corporate body registered under the Indian Companies Act 2002. Ownership and membership of such companies is held only by 'primary producers' or 'Producer Institution'. Minimum number of producers required to form a Producer Company is ten, while the maximum number can be increased as per feasibility and need. The members' equity cannot be publicly traded but can only be transferred with the approval of the Board of Directors. The liability of the Producer Company is limited to the value of the share capital it has issued. Similarly, the member's liability is limited to the value of share capital held by them and the minimum authorized capital at the time of incorporation is Rs.5 lakh. There cannot be any government or private equity stake in the producer companies. The area of operation for a PC can be the entire country.

The thinking behind FPCs is to help relieve rural distress arising from the relentless sub-division of landholdings. The issues of distress selling are very common amongst small holders. They often have to face indignities and yet continue for survival with the sellers and traders who creates the maximum problems. These processes followed by FPOs are successful in curbing these exactions. The report also mentions that easier leasing laws can help consolidate fragmented holdings but states have not amended tenancy legislation (which regard the tiller as the owner) to allow longer leases (though there is a vibrant informal leasing market). "The idea of the FPO (farmer producer organisation) is to avoid the legal challenges of consolidation but to consolidate farmers as shareholders in one entity," says Pravesh Shama, managing director of Small Farmer Agribusiness Consortium sponsors (SFAC).

Increasing globalization has both positive as well as negative effects. William Parrerr, former CEO of Deloitte Touche Tohmatsu, commented at the World Economic Forum in Davos that one effect of globalization has been that risks of all kind- not just fiscal but also physical – have increased for business, no matter where they operate. Its effect cannot be ignored while studying the problems faced by the small holding agriculture. The policies of huge subsidies and protection policies by developed countries have negative effects on small holding farmers in developing countries. If support is not given to small farms, globalization may become advantageous for large farms. Here again the role played by FPCs proves its worthiness by being the able facilitator of required services to such needy farmers. There are many apparent instances of failed government schemes that pushed farmers especially the small sized ones into distress. Thousands of farmers who have opened insurance plans through the Kisan Credit Card (KCC) scheme for instance find they cannot claim insurance because of unpaid dues on their bank loan. Research done by ET Magazine suggests two major flaws apart from several lesser evils. The two biggest problems with the design of these schemes is that, first, even extremely poor farmers are expected to pay the premium. Second, if the farmer gets trapped in a cycle of debt and defaults on his agricultural loan to which his crop insurance scheme is linked, his policy becomes inoperative. Through the FPOs the availability of capital or loan for these range of farmers have been easier. The National Bank for Agriculture and Rural Development (Nabard) is working to facilitate guarantees so that banks are encouraged to lend to farmer producer organisations. The Small farmers Agribusiness Consortium rated Rs 100 crore credit guarantee fund to support FPOs in the entire country. This corpus fund provides cover to financial institutions for lending to FPOs without collateral, reports The Pioneer, dated9.2.19.

In the farms the women work in "land preparation, seed selection and seed production, sowing, in applying manure, fertilizer and pesticides, weeding, transplanting, threshing, winnowing and harvesting etc as well as in animal husbandry and dairying, fish processing, collection of non-timber forest produces (NTFPs), back yard poultry, and collection of fuel wood, fodder and other products for family needs," as per Government of India,2007. Despite their importance, women are continually denied their property rights and access to other productive resources. Agarwal (2001) found that in order for producer organizations to perform better and equally share the benefits, it is important that both men and women are empowered to participate in meetings, activities and decision-making.

Often media and other relevant sources highlight cases in the small farm sector we see the poor households are vulnerable to a range of risks due to their mainly due to weak financial background and illiteracy. Inadequacy of available capital refrain them from taking steps and in turn this situation effects not only individual but communities suffer as a whole. FPO provides access to both financial and nonfinancial support like supply of good quality fertilizer, high yielding varieties of seeds, requires technology and machinery support as well to its members because of collective strength. As defined by Wikipedia, No-till farming (also called zero tillage or direct drilling) is a way of growing crops or pasture from year to year without disturbing the soil through tillage. No-till is an agricultural technique which increases the amount of water that infiltrates into the soil, the soil's retention of organic matter and its cycling of nutrients. This is one of the oldest methods of farming which is getting re introduced in the system and is posing as a boon especially for women farmers.

6. DISCUSSION

The FPC Satbhani Agro Producer Company Limited was registered on21St November 2016 by Department of Horticulture, Govt. of Assam through SFAC, RO, Guwahati. When it first started its operation as an organization the village people due to their previous experiences they had certain inhibitions. The challenges faced were mostly because of unorganized farmers and less of education. But with persistence and by actual doing this FPC gained its members. The existing market got a boost because of quality products. Extension of market is also another mentionable point. Quality fertilizers as said by the members are now available. Indian Farmers Fertiliser Cooperative Limited (IFFCO) from its office situated in Guwahati, is also assisting this FPC with chemical fertilizers necessary for crops. Vermi-compost are also used as these are available in the rural households. HYV of paddy, potato, sugar free potato are also provided and which are producing very high output. Maize is also being introduced. Kapoor Firm, in Punjab is providing the required seeds. Trainings are imparted whenever need arises with the assistance from Agriculture Dept and College situated in the area itself. The State Government provided financial assistance of rupees three lakhs in the year 2018. Both Central and State SFC on achieving the mark of 500 shareholders by the registered company provides financial assistance of rupees five lakhs initially. Sugar free potato variety is also being produced by farmers of this FPC which are rising in demand. The Kishlay Company in Guwahati is one of the major buyers. Cold storage facilities are picking up in the state which is accelerating the sell of potatoes outside Assam. Farmer's economic up-liftment in the society and women empowerment is the most visible changes that this FPC brought into. Members of his FPC are able to provide better education to their children, purchase new products of their choice. Zero tilling method has brought wider smiles to women farmers and these ladies are now thinking of diversifying according to season's demand.

7. CONCLUSION

'Good things come in small packages' still holds true for small and medium farmers and produce when assisted with the right platform will always help in improving the economy. The FPCs are in a way not only enforcing collective strength to get accessibility and better market but individual households with its changed lifestyle are an example by itself. The purpose of the study for understanding the factors of FPC as successful model for small and medium sized farmers has been well supported by the Satbhani Agro Producer Company Limited.

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Access to Fertilizers and Area under HYV

Zero Tillage

Led Improved Technologies

(FPCs bring economies of bulk purchases and the assurance of quality in inputs like fertiliser, seeds and chemicals. Since modern agriculture must be run as a business, where technology and good agronomic practices play a key role, they can jointly hire agronomists as well. Quite a few do, because the government pays their salaries for the first three years.www.firstpost.com, Agriculture's big hope… for questions)

Design

The present study has the scope defined in the following points

Services provided by farmers' organizations