FARMER PRODUCER COMPANIES IN INDIA: TRENDS, PATTERNS, PERFORMANCE AND WAY FORWARD

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Introduction

Farmer Producer Companies (FPCs) in India have gained prominence in recent years as a means of increasing farmers' income and enhancing their bargaining power. FPCs are farmer-owned and farmer-controlled companies that aim to improve the livelihoods of small and marginal farmers. In this article, we will explore the trends, patterns, performance, and the way forward for FPCs in India based on recent data and facts. Eighty-seven percent of agricultural households in India are small and marginal producers, cultivating small plots which generate low returns. Their average monthly income is Rs. 6426, making farming on small plots economically unviable. Lack of economic strength. Lack of organized market structure. The goals of FPCs are to provide high-quality agricultural inputs, such as seeds, fertilizer, pesticides, and other inputs, at competitive wholesale prices. Aggregate smaller lots of the product produced by farmer-members; add value to increase their marketability. Provide members with access to need-based production and post-production tools like cultivators, tillers, irrigation sets, combine harvesters, and similar tools on a custom-hire basis to lower production costs per unit. Make value-adding services like cleaning, assaying, sorting, grading, packing, as well as farm level processing facilities, accessible on a user fee premise at a reasonable price (Chopade et al., 2019). The provision of storage and transportation infrastructure is also possible. Start higher-paying businesses like fungus farming, beekeeping, and seed production. Promote market knowledge about the produce to enable wise production and marketing decisions. Facilitate logistics services like loading and unloading, shipping, and storage on a shared-cost basis. Market the combined product to customers with stronger negotiating skills and through marketing platforms that offer better and more lucrative prices.
Promotion and support of FPOs

- SFAC offers financial support through equity grants
- Development Departments and Central Sector Schemes are paying for CEO salaries and administrative costs
- Facilitating bank credit through credit guarantee schemes/fund which provides collateral free loans to Farmer Producer Companies (FPCs)
- Loans up to Rs. 2 crores for FPOs (including loans up to Rs 50 lakh for warehouse systems receipts) are covered under priority sector lending (RBI 2015)
- Union Budget 2018-19 announced a 5-year tax holiday for FPOs with turnover of up to Rs. 100 crores.
- RBI’s has recommended bank loans of Rs. 5 crores for FPCs with at least 75% small and marginal farmers and assured marketing of their produce at pre-determined price
- Under equity grant scheme, SFAC funds a maximum of Rs 15 lakhs/FPC as a matching grant with an objective of
  1. Enhancing viability and sustainability of FPCs.
  2. Increasing credit worthiness of FPCs.
  3. Enhancing the shareholding of members to increase their ownership and participation in their FPC (Basavraj et al., 2020).

Trends

In India, the number of FPCs with registered status has considerably increased in recent years. There were 10,655 registered FPCs in India as of March 2021, encompassing more than 10 lakh farmers, according to the Ministry of Agriculture and Farmers Welfare. Maharashtra has the most FPCs (2,472), followed by Uttar Pradesh (1,059) and Karnataka (967). The change of FPCs has also significantly increased. The National Bank for Agriculture and Rural Development (NABARD) conducted a survey that found that the turnover of FPCs increased from Rs. 384 crores in 2014–15 to Rs. 4,089 crores in 2019–20. This indicates a 60% compound yearly growth rate (Govil et al., 2020).

![Image showing the number of FPCs registered under Central and state Government Schemes in Financial year from 2013-19 (Govil et al., 2020)](http://sfacinl.com/List-of-FPO-Statewise.aspx)
Patterns

Certain industries, like dairy, horticulture, and spices, use the FPC approach more frequently than others. According to the NABARD study, these industries employ more than 70% of FPCs. This is so because they have a quicker gestation period and require less capital input. Additionally, FPCs frequently cluster in particular areas. For instance, Tamil Nadu has the most FPCs involved in agriculture, while Maharashtra has the most FPCs involved in dairy.

Performance

FPCs have performed admirably in terms of raising farmers' incomes and strengthening their negotiating position. A research by the National Institute of Agricultural Marketing found that FPCs can offer farmers higher prices because they do away with middlemen and lower transaction costs. FPCs can also give farmers greater market access, supplies, and assistance. FPCs do, however, confront a number of governances, management, and financial challenges. Many FPCs have poor management methods and improper governance structures. Conflicts between members and ineffective activities may result from this. Many FPCs also experience financial difficulties and are unable to obtain credit from reputable financial organisations (Kujur et al., 2019).
Way forward

The government and other stakeholders need to assist FPCs more in order to improve their performance. To improve FPCs' governance and management processes, the government can offer them financial and technical support. This can include access to credit, financial literacy, and programmes that develop capacity. In order to increase their market strength, FPCs also need to coordinate more effectively. This can be done by creating producer organisations that can reflect the interests of FPCs as a whole.

Conclusion

In order to increase farmers' income and strengthen their negotiating position, FPCs have emerged as a promising plan. Although there are issues that must be resolved, the development of FPCs in India is a good trend. FPCs have the power to change the agriculture industry and enhance the lives of millions of Indian farmers with more help from the government and other stakeholders. FPCs are quickly becoming a well-known variety of FPOs. The FPOs should develop into economic blocks that will help farmers, especially small and marginal farms, advance. Make it possible for small producers to pool their resources and launch profitable businesses, which would ultimately boost their incomes and lower their risk. Successful PCs may also help newer generations find employment and start their own businesses. Producer businesses must strike a balance between their social and business goals. It brings together the virtue of a cooperative venture with the vigour and effectiveness of a business.

Reference


