Empowering Farmers: The Rise of Farmer Producer Companies in India

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Prashish Singh[1,] Kalyan Ghadei[2], Priyanka Roy[1]*, Sukhchain Singh[3]

[1] Ph.D. Research Scholars, [2]Professor, [3]PG Scholar, Department of Agricultural Extension and Communication, Institute of Agricultural Sciences, Banaras Hindu University, Varanasi (221005), Uttar Pradesh, India

Abstract

Agriculture has been the backbone of India's economy, supporting millions of livelihoods. However, challenges in accessing markets, technology, and resources persist. Farmer Producer Companies (FPCs) have emerged as a transformative model, combining commercial efficiency with cooperative spirit to empower small-scale farmers. Owned and managed by farmers, supported by the government and donor agencies, FPCs operate under the Companies Act of 2013. This article explores FPC objectives, membership criteria, size classifications, institutional support, challenges, and a success story, showcasing their potential to transform India's agricultural landscape.

Keyword: Farmer Producer Companies, Companies Act of 2013, Farmer Producer Organization and Small Farmers Agribusiness Consortium

Introduction

Agriculture, vital to India's economy, confronts challenges in market access, technology, and resources. Farmer Producer Companies (FPCs) blend commercial efficiency with cooperative principles, integrating smallholders into modern supply networks to minimize transaction costs. Governed by the Companies Act of 2013, FPCs are formed with financial aid from the government or donor agencies. The Small Farmers Agribusiness Consortium (SFAC) facilitates FPC development. Designated the "Year of Farmer Producer Organizations" in 2014, FPCs empower farmers, providing a collective platform to enhance bargaining power and access resources (Singh *et al.,* 2023). The instrument of Farmer Producer Company, registered under

Let's discuss the objectives of Farmer Producer Company

Objectives of FPCs

FPC objectives encompass various activities:

1. Production, harvesting, marketing of members' produce.
2. Processing, preservation, packaging of primary produce.
3. Offering technical services, training, and research for members' benefit.
4. Engaging in power generation, land and water resource conservation.
5. Manufacturing and supplying machinery, equipment to members.
6. Promoting mutual assistance, welfare measures, financial services, and insurance.

Let's see the criteria for becoming the member of FPC

Membership Criteria for FPC

Farmers with 1-4 acres of land can become members. The geographical scope is limited to two Gram Panchayats within a 15 km radius. FPCs can be classified based on size: Small (less than 1000 members), Medium (1001-10,000 members), Large (more than 10,000 members).

Number of Framers producer companies in India:

As of February 2023, the Union Ministry of Corporate Affairs reports a total of 16,000 FPCs in the country. The most substantial growth occurred in the past three years—2020-21, 2021-22, and 2022-23—during which 65 percent of the FPCs were registered (https://www.downtoearth.org.in/news/agriculture/here-is-how-producer-organisations-evolved-in-india-88866).

Institutions intervention towards promoting FPC

I. Small Farmer Agri-business Consortium (SFAC) acts as a catalyst for FPC formation, offering support through an Equity Grant Scheme, matching member equity contributions 1:1 up to Rs. 10 lakh. SFAC also provides an 85% guarantee for bank loans up to Rs. 1 crore through a Credit Guarantee Fund.

II. Many FPCs have been formed under government programs such as the National Vegetable Cluster and National Accelerated Pulses Production Programme, with SFAC providing a two-year management subsidy to NGOs for forming FPCs.

III. The National Bank for Agriculture and Rural Development (NABARD) plays a role through the Producers' Organization Development Fund to support FPC development

Factors for high growth of Farmers' Producer Companies: Several factors contribute to the high growth of Farmer Producer Companies, including an energetic management team, cooperation from banking institutions, timely availability of inputs, bulk selling of agricultural produce, and functional effectiveness. Leadership plays a crucial role, and factors such as cohesiveness, transparency, adherence to rules, and availing government schemes contribute to the overall performance of FPCs (Venkatakumar et al., 2017).

Strategies for effective Farmers' Producer Companies: Low cost of production, quality products, strong marketing channels, value addition, better packaging, branding, technology adoption, innovation, and infrastructure contribute to FPC effectiveness.

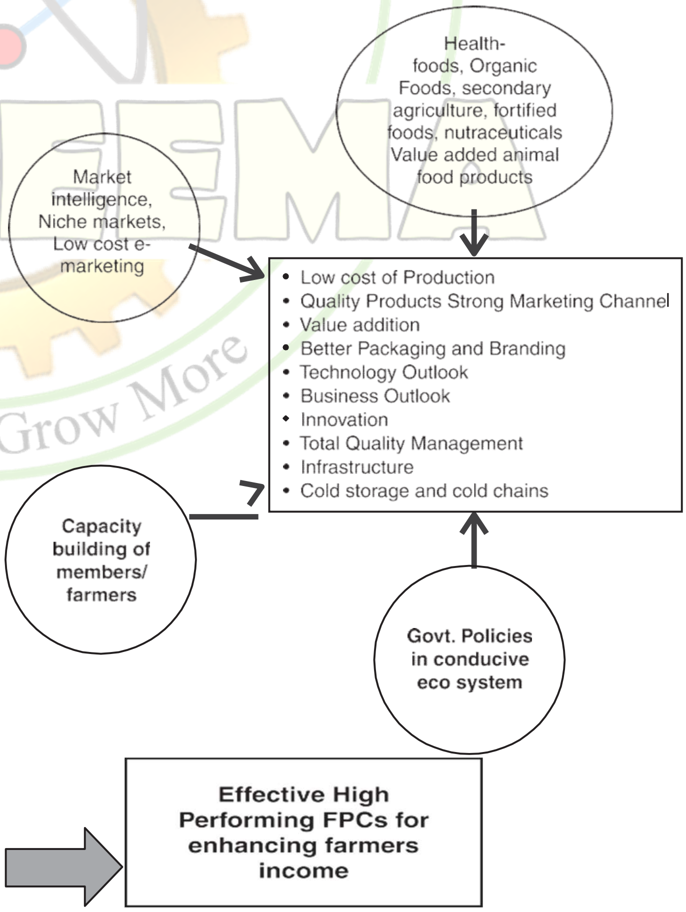

Figure 1. Strategies for effective Farmers' Producer Companies

Role and importance of FPC

FPCs protect small-scale producers' interests, engage in value addition to agricultural produce, facilitate nationwide and international sales, provide cost-effective services, and offer technical assistance. They operate without co-operative politics and external interference, providing advice and support to farmers.

Farmer Producer Companies – Issues and Challenges

Rising of equity capital and absence of tangible security and physical assets were the two noteworthy difficulties that a FPC faces in their initial period (Prabhakar et al. 2012). Producer Companies within three years of operation require a large volume of capital apart from their equity to take up the business to next level. For the capital they rely on banking systems but banks do not rely on them. Challenges include high equity capital requirements, difficulty in obtaining loans, tax burdens, weak value chain management infrastructure, favoritism, lack of basic infrastructure and business record-keeping skills, competition with middlemen, and limited state government support.

Benefits for the members of the Farmer Producer Company: Here are some chief benefits of the producer company to its own members:

I. Receipt of proceeds from the pooled and supplied produce.
II. Distribution of profits as cash or equity shares.
III. Allocation of bonus shares in proportion to their equity holdings.
IV. Patronage bonus distribution based on members' participation in business activities.

Success Story of Farmer Producer Company

Kashi Vishwanath Farmer Producer Company in Varanasi, formed by vegetable growers, initiated potato papad production after a market survey revealed local demand. The Board of Directors decided to sell the papads during the Holi festival, securing an initial order of 200 kgs. Collaborating with the women-based group "Sagar Sabji Utpadak Krishak Samooh," the FPO trained 12 women in papad making, charging Rs50 per member per day. Selling at Rs150/kg, with a production cost of Rs108.5/kg, the FPO plans expansion into value-added products and involving more groups in production, emphasizing sustainable growth.

Figure 2. Potato *Papad* making and packaging

(Source:http://sfacindia.com/UploadFile/Statistics/FposSucessStory/Success%20Story%20of%20Kashi%20Vishwanath%20Farmer%20Producer%20Company%20Ltd,%20registered%20under%20VIUC%20Project,%20Uttar%20Pradesh.pdf

Conclusion:

FPCs are pivotal for India's agricultural transformation, fostering cooperation among smallholders to boost economic empowerment and sustainable practices.

Despite success stories in local marketing and organic farming, challenges like capital needs and infrastructure persist. Realizing their potential requires sustained support from government, financial institutions, and active farmer involvement, positioning FPCs to strengthen the agricultural sector, minimize middlemen intervention, and enhance the well-being of farmers nationwide.

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